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Industrial Development Board

Nineteenth session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Monday, 18 May 1998, at 10 a.m.

Temporary President: Mr. POSTA (Hungary)
President: Mr. PITTALUGA FONSECA (Uruguay)

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Agenda item		*Paragraphs*
7	Industrialization of the least developed countries	)
8	Field representation	)
10	Performance indicators	)

The meeting was called to order at 10.20 a.m.

OPENING OF THE SESSION

1. **The TEMPORARY PRESIDENT** declared open the nineteenth session of the Industrial Development Board.

2. He said that the year that had elapsed since his election as President of the Board had been an extraordinarily difficult and challenging one. It had seen intensive negotiations and constructive debates leading to the approval of a budget and programme reflecting the redefined priorities of the Business Plan on the Future Role and Functions of UNIDO in a new, programmatic approach. It had also seen the election of a new Director-General. The endorsement of the Board's proposals by the General Conference had provided the necessary political mandate and moral support for the new leadership to launch the process of implementation. In the face of a threat to the very existence of the Organization, the necessary reduction in the Secretariat's staff had been promptly implemented and the Director-General had announced a new organizational structure for the Secretariat based on the requirements of the Business Plan.

3. Important issues of substance had been addressed by Member States. Recommendations had been formulated on the application of performance indicators to help the policy-making organs assess the implementation of the Business Plan, and the Secretariat had done intensive work on defining the content of the package of services that UNIDO should offer Member States. The new management needed time to implement the required changes, but it also needed resources, including additional extrabudgetary funding and the continuous support of Member States. The close and continuing contacts between the Director-General and his team and Member States missions in Vienna were a very promising development and should be maintained.

4. Finally, he thanked the representatives of Member States, the Director-General and the Secretariat for their support and cooperation during his term of office.

ELECTION OF OFFICERS

5. **The TEMPORARY PRESIDENT** said that he had received the following nominations: Mr. F. Pittaluga Fonseca (Uruguay) for the post of President; Mr. Abubakr Salih Nur (Sudan), Mrs. Marianne von Grünigen (Switzerland) and Mr. Ahmad Nizam El-Din (Syrian Arab Republic) for the posts of Vice-President; and Mr. Ivan Kotov (Bulgaria) for the post of Rapporteur.

6. *The candidates were elected by acclamation.*

7. *The President took the Chair.*

8. **The PRESIDENT** thanked the outgoing President of the Board for the work he had so ably accomplished during his term of office. That period had led to the development of a strengthened Organization and a new programme, and the appointment of a new Director-General. UNIDO could not fail to be affected by the major changes taking place in the world, and he was confident that the new management and Organization were well equipped to meet the challenges ahead.

ADOPTION OF THE AGENDA (IDB.19/1 and Add.1)

9. *The provisional agenda (IDB.19/1) was adopted.*

STATEMENT BY THE DIRECTOR-GENERAL

10. **Mr. MAGARIÑOS** (Director-General), said that, on taking office five months previously, he had found an Organization with an impressive record of reforms, great potential, excellent staff and a good track record in many of its programmes, but also one with insufficient focus, only lukewarm support from some of its Member States and many unutilized opportunities. He had been faced with a very challenging situation characterized by new

demands and priorities for future work, financial constraints, over-incumbency of posts requiring an immediate staff reduction programme, an organizational structure which needed to be brought into line with the Business Plan, a fragmentation of UNIDO activities, low staff morale and insecurity, and significant arrears by Member States in the payment of assessed contributions.

11. He had decided to concentrate first on solving the pressing financial and personnel issues before tackling the programmatic transformation, and had begun by adopting a set of emergency measures to bring the cash flow situation under control. The ban on new purchases, procurement and consultancy contracts with the exception of those related to technical cooperation, and the responsibility he had assumed for authorizing all official travel for a 60-day period, had generated savings of approximately half a million dollars.

12. The staff separation programme had already resulted in the abolition of 143.5 posts, the approval of 92 voluntary staff separations and the placement of staff on abolished posts against existing vacancies. That approach had obviated the need for a non-voluntary staff separation programme and had helped alleviate staff concerns and improve staff-management relations. The programme would cost at least $5.1 million less than the initial cost estimate. Because the programme had had to be accommodated within prevailing financial constraints and had thus been budget-driven, a number of staff members whose skill profile was not fully in line with programmatic requirements were still on the staff and would need to be either retrained during 1998 or separated by the end of the year. As a special interim measure, existing staff contracts had been extended only on a short-term basis, generally until the end of 1998. The principles of a significantly revised staff career development system to be introduced in the long term had been issued the previous week. The new system would ensure open and fair competition in recruitment and promotion and a rotation of staff between Headquarters and the field, and would foresee periods for maximum length of service in the Professional category.

13. He had meanwhile begun to address the critically important issue of UNIDO's decentralization by convening, in January 1998, the first global UNIDO Country Director meeting, which had generated ideas on how to optimize the interaction between UNIDO Headquarters and field representatives and how best to delegate increased authority to the field.

14. A new organizational structure had now been put into effect, ensuring: full alignment with the guidelines established in the Business Plan, through the creation of three divisions and a significantly reduced Office of the Director-General; an effective management team through appointments of all staff at Managing Director and Director level; assignment of all staff to new organizational units, with only a few areas of programme support services left for further review; the finalization of terms of reference for new organizational units with emphasis on clear lines of responsibility, accountability and performance targets; and the establishment and strengthening of the Office of Internal Oversight. The emergency measures had now been replaced by a completely new financial authorization system based on simplification of procedures, delegation of authority to middle management levels as required by the Business Plan, empowerment of staff and strong accountability mechanisms. Precise instructions concerning decentralization and delegation of authority to UNIDO's field offices had been issued and the number of Director-General's Bulletins had been reduced from 250 to 5, and of existing Committees from 110 to 5.

15. Other adjustments to the organizational structure included a unified management of the Office of the Director-General, whose Director would henceforth coordinate the activities of four small units: the Executive Office, the Office of Internal Oversight, the Governing Bodies Secretariat and the Legal Office. The Division for Sectoral Support and Environmental Sustainability now had five Branches: Cleaner Production and Environmental Management, Montreal Protocol, Kyoto Protocol, Industrial Energy-Efficiency, and Agro-Industries and Sectoral Support. On the management side, he had created an Executive Board composed of his three Managing Directors and the Director of his Office, which met twice a week. In the future, a new Board of Directors encompassing all Branch and Bureau Directors would meet twice a month.

16. Inevitably, all the adjustments had taken their toll in terms of technical cooperation delivery in 1998, with a 20 per cent reduction compared with the previous year. In view of the importance of Montreal Protocol activities in that context, he had taken action to redeploy staff from the Division of Investment Promotion and Institutional Capacity-Building to the Division of Sectoral Support and Environmental Sustainability. The traditionally lower implementation of technical cooperation activities under the regular budget in the first year of each biennium should, however, also be taken into account. He had deliberately held back implementation under the regular budget to improve the cash flow and ensure the availability of funds to finance UNIDO's new integrated packages of services.

17. With the administrative reform process nearing completion, he had consciously built up the momentum for UNIDO's programmatic transformation. Following the global UNIDO Country Director meeting in January, he had launched an in-depth programmatic discussion on the

orientation and substantive contents of key UNIDO programmes and services as the second phase of his agenda to transform UNIDO into an organization with a strong corporate identity and a synonym for effective support to industrial development. Five cross-organizational teams had been established to formulate new Organization-wide policies and strategies in key programme support areas, namely programme quality services, evaluation, funds mobilization, management information systems and research activities. He was now analysing the teams' recommendations and would soon act upon them. Specifically, he would create independent units for evaluation, programme uality and funds mobilization, which would be coordinated by his Office. He would also ensure that the integration of women in industrial development was reflected in all relevant UNIDO programmes and would appoint a focal point at Headquarters to address women in development issues.

18. In March he had launched an open discussion of UNIDO's programme areas with a special retreat for all senior staff, the intention being to make sure that the programmatic transformation was a fully participatory, bottom-up process resulting in improved performance and enhanced impact. The system of performance indicators now being developed would play an important role in assessing the effectiveness and impact of activities.

19. The programmatic retreat had been followed by a meeting in March with key investment financing experts to explore new opportunities and better define UNIDO's role in investment promotion. The memorandum of understanding concluded between UNIDO and the United Nations Conference on Trade and Development (UNCTAD), which spelt out the complementary roles of the two organizations in the field of investment promotion and of small and medium enterprise development, was a landmark agreement marking a new spirit of cooperation within the United Nations system.

20. The most important phase of programmatic transformation, launched in April, was an ongoing series of follow-up meetings to the programmatic retreat, engaging the entire Organization in defining a set of integrated packages of services. Of particular significance had been the Forum on Industrial Development in early May which had brought together high-level representatives from Member States, eminent external experts and UNIDO staff. He intended to finalize the proposals concerning the integrated packages of services towards the end of July. The integrated products would translate the Business Plan into concrete action, would respond to priority demands from recipient countries, could be meaningfully promoted vis-à-vis the donor community and would represent a radical departure from the current situation involving the fragmentation of activities among a plethora of projects with reduced impact. The steps he had taken to streamline the project portfolio had already resulted in the operational completion of 15 per cent of all ongoing projects, with another 18 per cent to be completed by the end of 1998. All ongoing projects which were not consistent with the Business Plan would be subjected to a special review to ensure that they were completed swiftly. In defining new integrated service packages he would build upon UNIDO's existing expertise. Development problems were multidimensional, and so would be the response.

21. In order to ensure the effective implementation of the integrated services, a new, horizontal corporate working culture needed to be created within UNIDO. Each integrated package of services would draw on expertise from various parts of the Organization, and their country-level application would be coordinated, with more authority than before, by the Regional Bureaux. In that context, cooperation with other United Nations organizations, the Bretton Woods institutions, bilateral agencies and the private sector was essential. With the new focused mandate under the Business Plan, overlap had been and would be further reduced, but UNIDO needed also to build strategic alliances with other actors so as to achieve synergies and maximize joint impact. The UNIDO-UNCTAD agreement set the example for similar alliances in the future.

22. UNIDO's mission was to promote sustainable industrial development in the developing countries and countries with economies in transition, which meant a development pattern based on a competitive economy, employment creation and environmental sustainability. UNIDO was well placed to assist its Members in meeting the challenges related to globalization and clean industry by advising them on appropriate industrial policies and strategies and helping in the creation of the necessary institutional capacities, the promotion of industrial investments, the creation and enforcement of industrial quality and environmental standards, the promotion of the transfer and application of clean technologies, and compliance with the provisions of international environmental conventions. The measures he had taken so far were intended ultimately to equip UNIDO better to meet the high expectations of Member States, at a time when there was a renewed sense of unity of purpose, shared values, a common agenda and combined strength within the United Nations system, with the momentum created by the reforms initiated by the Secretary-General. What UNIDO required for its transformation was a vision of the desirable path of industrial development at the turn of the millennium, a clear sense of unity and direction, emphasis on cross-organizational cooperation, a working culture and procedures that empowered staff and encouraged them to assume responsibility, a sense of continuous improvement and innovation, and an atmosphere of transparency and dialogue with Member States.

23. Africa was the developing region where the transformed UNIDO and its new services would first be put to the test. In the second half of the year, he would give priority to listening to the perceived problems and the expectations of African countries, whose economic marginalization must not be allowed to continue. He would set ambitious targets to further raise the level of UNIDO's support to Africa, and to all least developed countries, as called for in the Business Plan. In 1996-1997, only about a quarter of all UNIDO projects for Africa submitted to donors had received funding and he called upon the donor community to equip UNIDO with sufficient resources to deliver its services, particularly in Africa.

24. The Business Plan had been his guideline and point of reference in all his actions since taking office, and he was proud to announce that, within only five months, he had been able to ensure that the Business Plan had been almost fully implemented.

ORGANIZATION OF WORK

25. **The PRESIDENT** proposed that the Board decide to suspend rule 32 of the rules of procedure regarding the quorum. A quorum would not be considered a requirement for starting meetings, except in the case of meetings at which decisions of a substantive nature were to be taken. Rule 80 provided for a 24-hour period of notice of a proposal for suspension, which might be waived if no member of the Board objected.

26. In the absence of any objections, he would assume that the Board wished to suspend rule 32.

27. *It was so decided.*

28. He said that Member States wishing to submit draft decisions should do so in writing and well in advance.

29. In connection with the schedule of work, it was proposed that agenda items 4, 5, 6, 7 and 10 should be considered together.

30. *It was so decided.*

ANNUAL REPORT OF THE DIRECTOR-GENERAL ON THE ACTIVITIES OF THE ORGANIZATION IN 1997 (IDB.19/10 and Add.1 and 2; IDB.19/CRP.7)

UNIDO TECHNICAL COOPERATION ACTIVITIES IN 1997, INCLUDING OPERATIONAL ACTIVITIES FOR DEVELOPMENT (IDB.19/3)

SECOND INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA (IDB.19/5)

INDUSTRIALIZATION OF THE LEAST DEVELOPED COUNTRIES (IDB.19/8)

FIELD REPRESENTATION (IDB.19/11; IDB.19/CRP.8)

PERFORMANCE INDICATORS (IDB.19/6; IDB.19/CRP.2)

31. **Mr. REGUIEG** (Algeria), speaking on behalf of the African Group, welcomed the new Director-General and assured him of Africa's support in his difficult task at the present juncture in UNIDO's history.

32. He paid tribute to the memory of Mr. Ibrahim Abdel-Rahman, the first Executive Director of UNIDO, who had died in March.

33. *At the invitation of the President, a minute of silence was observed in tribute to the memory of Mr. Abdel-Rahman.*

34. **Mr. REGUIEG** (Algeria), speaking on behalf of the African Group on agenda items 4 and 5, noted that the activities undertaken during 1997 had reflected different guidelines and thematic priorities from those adopted by the General Conference at its last session. However, every effort had been made to implement UNIDO's programmes in the different regions. Africa remained a priority for technical cooperation, commanding 37.3 per cent of activities. Ninety new projects, to a value of 21.7 million dollars, had been approved for the African region. In future, the system of performance indicators would provide Member States with all the information needed to assess UNIDO's performance both at Headquarters and in the field.

35. On item 6, he said that the African Group agreed in principle with the Secretariat's plan for the implementation of the programme of the Second Industrial Development Decade for Africa during the biennium 1998-1999, and looked forward to a speedy start on implementation in the light of the thematic priorities of the Plan of Action for the Alliance for Africa's Industrialization endorsed by the General Conference at its seventh session. He requested the Secretariat to provide detailed information about the funds allocated to African States for cleaner production from the Multilateral Montreal Protocol Fund. The African Group also emphasized the importance of convening a donors' conference in 1998 or early 1999 to obtain pledges for industrial development programmes in Africa.

36. On item 7, he said that the Group welcomed the 17.5 per cent increase in the delivery of UNIDO services and technical cooperation to the least developed countries (LDCs). UNIDO should actively pursue programmes and

projects started or approved in 1997. It should strengthen its cooperation and coordination with LDC programmes in other United Nations agencies, in the World Trade Organization and the Bretton Woods institutions, in the light of General Conference resolutions GC.6/Res.8 and GC.7/Res.4, and of the recommendations and conclusions adopted at the Fourth Ministerial Symposium on the Industrialization of LDCs, held at Vienna from 26 November to 5 December 1997. The Director-General was requested to submit a regular progress report on that agenda item to the Board's next session. He welcomed the Director-General's decision to hold every division and branch of UNIDO accountable for the quality and level of their programme delivery in Africa and the LDCs.

37. On item 10, he said that performance indicators would play a crucial role in enabling Member States to appraise the Organization's performance in regard to services and programmes and in implementing the reform process. The Secretariat should bring forward a mechanism for operating the indicators in the interests of both recipient and donor States, and the system of performance indicators should apply fairly to all the activities in the Business Plan.

38. Referring to item 8 of the agenda ("Field representation"), he said that the African Group appreciated the efforts made since the General Conference session to develop an operational mechanism for the field representation programme, and was ready to continue consultations with the Secretariat with a view to accelerating the implementation of a revitalized field operations programme. The budget for 1998-1999 was a transitional one, and the Group would like to know how the Secretariat saw the future of field representation. Coverage should be extended beyond the proposed 30 offices, and he urged all donor countries to increase their financial support for the programme, which reflected the goal of decentralization included in the Business Plan.

39. Regarding item 11 ("Timely payment of assessed contributions"), the African Group appreciated the steps taken by the Director-General to streamline operating expenditures and welcomed the fact that some Member States had paid their assessed contributions for the current year earlier than in the past. However, there was still much to be done to place the Organization on a satisfactory financial basis. The Group fully supported the report adopted by the open-ended discussion group on timely payment of assessed contributions (IDB.19/12 and Corr.1). It regretted the fact that the voting rights of 68 Member States, including eight members of the Board, had been suspended and appealed to the Member States concerned to reverse that situation.

40. On item 13 ("Personnel matters, including composition of the Secretariat"), he expressed the Group's concern at the continuing under-representation of Africans at all levels of the Secretariat, particularly at the decision-making level, notwithstanding the fact that Africa was the priority region for UNIDO's activities. He urged the Secretariat to tackle the problem of unassigned staff members, most of whom came from developing countries, including African countries. The issue of gender balance at all levels of the Secretariat, especially at the D-1 and D-2 levels, must also be addressed.

41. In conclusion, he welcomed the recent move by UNIDO and UNCTAD to form a new strategic alliance to promote investment in the developing countries. The relevant memorandum of understanding signed recently by the two bodies (IDB.19/CRP.6) reflected the aims of United Nations reform and would provide a framework for joint efforts to encourage investment in the developing countries.

42. **Mr. EL-FEKI** (Egypt) welcomed the measures taken by the new Director-General to implement the Business Plan and the budget. The 1997 decisions on the Business Plan and the biennial programme and budget marked a starting point for the revitalization of the Organization, and testified to the determination of Member States to contribute to sustainable industrial development. Rapid solutions must be found to the problems raised by the reform process, so that UNIDO could take a leading place among the international organizations grappling with worldwide economic changes. The Secretariat should present an integrated plan and a clear vision for the future pattern of field representation, taking due account of the views of the Member States. The timely payment of assessed contributions was essential to the viability of the Organization. He commended the work done by the chairman of the open-ended discussion group on timely assessment of assessed contributions, and stressed that a solution must be found to the question of recovering arrears of contributions. He welcomed the proposal to introduce a system of performance indicators. The system should be simple and clear, and contain a limited number of indicators, to be introduced gradually.

43. **Mr. BOURITA** (Morocco) said that 1998 must be a year of genuine change for UNIDO. UNIDO should cease to be a centralized organization and should strengthen its presence in the field in order to be able to respond to the needs of its Member States. Its administrative units must work closely together and all staff members at all levels must be involved in developing and implementing the Organization's activities. Its services must become more coherent and more integrated. Staff morale must be boosted and motivation increased.

Budgetary resources must be adequate, predictable and durable.

44. The Annual Report of UNIDO for 1997 (IDB.19/10) showed that the rate of growth in manufacturing value added in the developing countries had been twice the world growth rate. However, a limited number of Asian developing countries accounted for that high average growth rate; the growth rate in Africa, especially in the least developed countries, was low. Those countries needed special measures, especially in the areas of technology transfer, investment promotion, environmental protection, institutional development and human resources. The transfer and adoption of appropriate technology was a key factor in enhancing the competitiveness of developing countries in a context of globalization. UNIDO should develop close cooperation with the World Intellectual Property Organization, in order to help developing countries to implement programmes for technological competitiveness and increase added value in traditional industries.

45. Certification and accreditation centres were increasingly needed in the developing countries, to secure ready access for them to the certification systems which were recognized internationally. UNIDO should become more active in developing regional or multilateral arrangements for mutual recognition of certification and accreditation. UNIDO should equip itself with the necessary expertise to help the developing countries to improve their ratings.

46. The programme of the Second Industrial Development Decade for Africa had not had the desired impact, because of the lack of clear implementation strategies and of the necessary funds. He hoped that the donors conference to be organized by UNIDO in cooperation with the African Development Bank would permit the mobilization of the funds needed to achieve the goals of the Decade. The programme of the Decade should be open to other multilateral agencies, within and outside the United Nations system.

47. Economic liberalization in the developing countries and the introduction of free trade areas required the establishment of integrated development programmes, including measures to build infrastructures, improve vocational training and strengthen professional organizations.

48. Morocco was anxious to develop cooperation with UNIDO in the organization of studies on the competitiveness of businesses. The studies would aim at identifying the strengths, weaknesses and restructuring needs of enterprises, developing plans for improving performance and evaluating the costs of upgrading.

49. The number of field offices should be increased. The 30 offices planned for 1998-1999 must be regarded only as the starting point for a more ambitious operation. There should also be greater staff mobility, and assignment to the field should be an essential element in career development. Periodic appraisals should be carried out in selected field offices to evaluate the success of the decentralization process.

50. The recent Forum on Industrial Development had highlighted the enormous range of potential activities for the Organization, as well as the continuing decrease in funds made available to it. Sustainable reforms would depend on the effective implementation of the Business Plan at Headquarters and in the field and on ability to meet the needs of sustainable industrialization.

51. **Mr. REGUIEG** (Algeria) said that UNIDO was undergoing profound change as a result of the decisions on the Business Plan. It was too early to judge the effectiveness of the new measures, but distinct progress had been achieved in management and organization, and UNIDO had also defined the key priorities of its action programme. The success of the reforms would depend largely on the skills and competence of the staff responsible for them, and in that respect his delegation had full confidence in the new Director-General.

52. With regard to the Annual Report (IDB.19/10), it related to 1997 and therefore did not cover the important developments which had occurred since the last session of the General Conference; they would, he hoped, be covered in the next report. Concerning support for Africa in the context of the Second Industrial Development Decade for Africa, his delegation supported the programming framework proposed in document IDB.19/5, and looked for speedy and full implementation of the recommendations, bearing in mind that Africa was the priority focus of the Organization's work. He noted the efforts of the Director-General to organize a conference of donors at the end of 1998 or in early 1999 to obtain pledges for industrial development programmes for Africa and for the least developed countries.

53. With regard to performance indicators, his delegation regarded them as a necessity to enable Member States to monitor the progress of the reform process, especially in the light of the programme and budget. He hoped that in future performance indicators would be applied with complete transparency to all the Organization's activities.

54. Regarding field representation, he welcomed the efforts made to draw up a field representation programme meeting the needs of the developing countries. The aim was to enable UNIDO to build effective field teams able to carry out a wide range of functions and services.

Consultation should be continued in order to finalize the scheme as presented in document IDB.19/11.

55. He noted the steps taken by the Director-General to reduce operating expenditures, and the fact that some Member States had paid their assessed contributions for the current year earlier than usual. However, there was a long road to travel before the Organization would have adequate funds to discharge its tasks. His delegation looked for early implementation of the recommendations of the open-ended discussion group. His own country had paid its arrears for 1996 and 1997, and would shortly be paying its contribution for the current year.

56. With regard to personnel matters and the composition of the Secretariat, his delegation was concerned at the under-representation of the African continent within the Secretariat. Since Africa was the priority region for UNIDO's work, it would only be right to improve geographical representation.

57. **Mr. SOKOLOV** (Russian Federation) said that Russia continued to support UNIDO as the only body within the United Nations system promoting the industrial development of the developing countries and of countries with economies in transition. The aim of the reforms must not be merely to enable the Organization to survive, but also to enhance its role within the socio-economic sector of the United Nations system. UNIDO was not alone in undergoing a reform process; the entire United Nations system was having to adjust to the new geopolitical and socio-economic realities in the world, and was seeking a new understanding of the role of international organizations and new forms of cooperation and ways of working. Thanks to the energetic efforts of the new Director-General, the Secretariat and its management had been considerably improved, and a thoroughgoing transformation of programme activities was under way. The new organizational structure of the Secretariat was a sound basis for future progress, to be achieved by competent and hardworking staff. The principle of voluntary separation had been successfully applied, and further improvement of staff quality could be hoped for.

58. The restructuring of UNIDO's programme activity had been reviewed at the recent Forum on Industrial Development. For his delegation, a key question for the future was how the revitalized UNIDO would cooperate with Russia and with other countries with transition economies. In developing the "end product" of the Organization, due account must be taken of the particular features of those countries. Russia, and most of the other countries with transition economies, possessed a developed industrial, scientific and technological base, now operating under difficult transitional conditions. Those countries were also potential donors. Even now, almost all new projects for Russia were being implemented jointly, through special-purpose extrabudgetary funds. In developing the criteria for evaluating the activities of the Organization, due heed must be paid to the needs of all users of its services, including those of countries with transition economies.

59. Now that the Organization was being revitalized, its function as a global forum must be developed. That function should include formulating industrial policy concepts, analysing experience and elaborating international norms and standards and agreements in the industrial field. Industrial information should be exchanged by means of networks and data banks, and the establishment of an institutional base for the development of market economies should be promoted at a country and regional level.

60. In the context of globalization and the challenges which it brought, it was important to develop the research and prognostic functions of UNIDO. Equipped with a strategy for world industrial development, UNIDO would be able to develop appropriate policies for implementing it through effective programme activities.

61. In the area of technical cooperation, the emphasis should be on attracting foreign investment, achieving ecologically sustainable industrial development, creating conditions for transferring clean technology, supporting small and medium-sized enterprises, and restructuring industrial enterprises in line with market demands.

62. Another important direction of UNIDO's work should be the promotion of sustainable regional development. A regional focus would correspond to UNIDO's new philosophy based on multifaceted programme activities.

63. In view of the ending of the institutional agreement between the Government of Italy and UNIDO concerning the International Centre for Science and High Technology at Trieste, his delegation would like to see a constructive dialogue between UNIDO, UNESCO and the Government of Italy aimed at defining the areas of cooperation on industrial technology in the framework of the Centre. Existing work at the Centre, including projects relating to Russia, should continue.

64. The working group on timely payment of assessed contributions had made a useful contribution to solving UNIDO's financial problems. However, his country was not in favour of sanctions against debtor Members, apart from those contemplated in UNIDO's Constitution. Efforts should continue, in the framework of constructive dialogue, to obtain arrears of contributions from countries which had left the Organization. Cooperation with the private sector and with other international organizations could become a major source of funding for UNIDO in

future, and careful consideration should be given to the idea of commercializing some types of services.

65. **Mr. FREEMAN** (United Kingdom), speaking on behalf of the European Union, Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia, commended the way in which the new Director-General had gone about his tasks, particularly his commitment to the objectives agreed upon by Member States and the focused and transparent way in which he was approaching them. The European Union also appreciated the Annual Report recently issued. It had worked closely with other Member States the previous year to secure a new and relevant mandate for UNIDO which would take account of development needs and UNIDO's comparative advantages. The Business Plan resulting from those negotiations was the instrument which would allow UNIDO to achieve those objectives and the reference point for judgement of UNIDO's activities. In that context, the European Union welcomed the statement made by the Director-General at the present meeting. Much had been achieved in the past six months, and UNIDO was looking over its own walls to other parts of the United Nations system with a view to reducing duplication and contributing to the system-wide process of reform. He looked forward to seeing the memorandum of understanding between UNIDO and UNCTAD become operational. It provided for the optimal use of official development aid while ensuring cost-effectiveness and avoiding duplication of effort. He hoped that the Director-General would consider launching further similar initiatives, perhaps with the private sector.

66. The European Union would follow the continuing administrative reform of UNIDO with close interest. Quality and evaluation were of great importance and he welcomed the proposed introduction of performance indicators, which he hoped would be put into effect as soon as possible. UNIDO must succeed in demonstrating its value to all Member States by providing adequate services corresponding to their respective needs. Bearing in mind the target set by the United Nations General Assembly for 50 per cent of all staff in the United Nations system to be women by the year 2000, the European Union urged the Secretariat to apply the equal opportunity principle to UNIDO staff at all levels and proposed that an experienced senior staff member be made responsible for gender issues in the Secretariat for that purpose.

67. The European Union wished to congratulate the Director-General on the way in which he had handled the difficult and sensitive task of staff separations, without compulsory redundancies. It looked forward to the satisfactory completion of the current reform process and of all the remaining budgetary issues. It was confident that staff separation financing would remain in compliance with budgetary rules and would also remain fully transparent. It would continue its dialogue with the Secretariat on the matter.

68. He had noted with satisfaction that the recent proposal on field representation assumed that an average of 30 per cent of the local costs of field offices would be met by host countries, thus contributing to the decentralization requested by Member States. The field package must be consistent with the Business Plan and financial arrangements and the geographical distribution of such offices must be realistic. The European Union would welcome further information on how field offices might participate in the United Nations Development Assistance Framework. The European Union proposed that, when assessing the criteria on which the final location of field offices should be based, the payment of contributions in full and on time be taken into account as well as good governance and the commitment of the host country to the work of UNIDO.

69. The European Union was committed to UNIDO and to the Business Plan in particular. Its member countries would continue to pay their dues and to call on others to do likewise in a timely fashion. It wanted UNIDO to be a useful and successful organization with a distinctive part to play in the United Nations family. It wanted UNIDO to have a real, demonstrable development impact

70. **Mr. BREITER** (Switzerland) welcomed the impressive changes made in the Organization under its new leadership, the transformation of the organizational structure and the new programme approach being taken in line with the Business Plan. He noted with concern that the senior level of management had become somewhat heavier than expected. But the pace of the structuring was impressive. The process was not an easy one, least of all for the staff members involved. His delegation now looked forward to the implementation of reforms on the programme side, especially the integrated packages presented by the Director-General at the present meeting, which pointed in the right direction.

71. He welcomed the efforts made to enhance cooperation with other bodies in the United Nations system, a good example of which was the recent memorandum of understanding with UNCTAD, although the agreement did not seem to be entirely compatible with the parameters of the Business Plan. The Director-General should pursue his efforts to cooperate with the private sector, and the recent Forum on Industrial Development had been promising. It might be worthwhile to seek ways and means of associating representatives of industry in the debates of the Board. UNIDO might be guided for that purpose by the approach chosen within the Organisation for Economic Cooperation and Development or the Commission on Sustainable Development. Taking into

account the severely restricted human and financial resources available, the proposed programme for field representation constituted the utmost to be expected in terms of strengthening that area. He hoped that the distribution of field offices strictly corresponded to the mix of quantitative and qualitative criteria proposed during recent consultations with Member States. The limited resources available would not easily permit additional country offices to be opened even if the host countries met the entire cost of establishing and maintaining them. It should be borne in mind that the cost of at least one Professional staff member (UCD) and operational costs at Headquarters had to be borne by the regular budget.

72. His delegation was concerned at the fact that, as of 31 March 1998, the voting rights of 68 Member States, including eight members of the Board and five members of the Programme and Budget Committee, had been suspended because of their arrears in the payment of assessed contributions. In certain cases, notably in the case of LDCs, there might be good reason for the non-payment of assessed contributions, but that did not apply to many countries. Switzerland urged those countries to fulfil their financial obligations to the Organization. In that context, it appreciated the work carried out and the useful report submitted by the open-ended discussion group on the timely payment of assessed contributions under the chairmanship of Mr. Benmoussa.

73. Finally, considering performance indicators to be an important management tool and a crucial instrument for rendering the Organization more accountable, his country welcomed both the report of the chairman of the intersessional working group (IDB.19/6) and document IDB.19/CRP.2, which met the high expectations his delegation had placed in the Secretariat's analytical and conceptual work. It hoped that the performance indicators would be applied as soon as possible.

74. **Mr. PUCCIO HUIDOBRO** (Chile), speaking on behalf of the Latin American and Caribbean Group (GRULAC), praised the efforts made by the Director-General to establish more effective cooperation between UNIDO and other international bodies, such as the World Trade Organization, the United Nations Development Programme (UNDP) and UNCTAD. GRULAC also welcomed his observance of the guidelines in the Business Plan approved by the General Conference. However, UNIDO must be provided with the tools it needed to meet the criteria of modernity, stability and efficiency and to become a global forum for promoting industrialization in all regions of the world. GRULAC had examined the proposal concerning field representation with interest. The proposal did not define the role of UNIDO in the field with sufficient clarity. Consultations should continue with a view to working out a viable formula based on the criteria of equity, flexibility, efficiency and the rational use of resources. Any such proposal should take a comprehensive approach, specifying objectives, projects and programmes and enabling the needs of all the regions to be met and their specific features to be taken into account. GRULAC hoped that the comprehensive work plan for the decentralization of activities referred to in document IDB.19/11, paragraph 9, would meet the concerns of the regional groups and be examined in consultation with Member States, in conformity with the provisions of General Conference resolution GC.7/Res.11. Innovatory proposals should be considered which would allow UNIDO to provide services to the GRULAC region to improve and strengthen its capacity for industrial management. The Group was interested in the possibility of the establishment of an information network on strategic industrial know-how, to assist the countries of the region.

75. GRULAC wished to commend the work of the chairman of the open-ended discussion group on the timely payment of assessed contributions. The Group was opposed to the application of sanctions or other measures not envisaged in UNIDO's Constitution, believing that the General Conference was the only body competent to take action in that respect.

76. With regard to document IDB.19/6 on performance indicators, GRULAC welcomed the initiative taken by the Director-General in seeking to develop a mechanism that would enable the achievements of the Organization to be evaluated so that its activities could be directed if necessary.

77. **Mr. ZHAND Yishan** (China) thanked the Director-General for his comprehensive statement on UNIDO's activities during the past few months and expressed his appreciation for the achievements he had made in reforming the Organization, strengthening its management and dealing with the thorny problem of staff separations. The Annual Report for 1997 gave a clear picture of the global and regional achievements of UNIDO during 1997, which had been no ordinary year. The withdrawal of certain Member States had led to doubts about the future existence of UNIDO within the United Nations system. Most Member States, especially the developing countries, had supported UNIDO politically and agreement had been reached on its future role and functions. UNIDO's future had been secured. The Business Plan clearly showed how it should carry out its reforms and develop its activities in the future.

78. The report on technical cooperation in 1997 had shown that a tremendous number of technical cooperation activities had been carried out from 1995 to 1997 and, following reforms, UNIDO was now more focused on

assisting the developing countries. China would continue its efforts in that respect. Even during the past difficult period, UNIDO had made great progress in technical cooperation. The dedication of its staff was clear and was closely linked with the question of field offices. Technical cooperation between China and UNIDO during 1997 had been very successful, its focal points being the Montreal Protocol, clean production, build-operate-transfer and investment promotion. China would continue its technical cooperation with UNIDO and hoped that it would be further strengthened.

79. An international centre for small hydroelectric power stations in China was now under discussion with UNIDO. A regional centre had been set up in 1979 with the assistance of UNDP, UNIDO, the Economic and Social Commission for Asia and the Pacific and the Chinese Government. It then developed very successfully, organized numerous activities and provided training for technical and management staff from Asia and the Pacific and other regions. Its main activities were training, technical advice, the exchange of information, scientific research and project contracts. China wished to use part of its Industrial Development Fund contribution to support the centre, confident that it would play an important part in promoting rural development in the developing countries.

80. **Mr. IKEDA** (Japan) said it would be appropriate for the Board to review the progress made in implementation of the Business Plan and offer guidance for its improved and further implementation. Japan considered that UNIDO had taken a significant first step in the implementation of the Plan. It noted with satisfaction that administrative reform was reaching its final stage and that measures pertaining to the restructuring of the Organization, staff reductions, new assignment of staff, delegation of authority and stringent financial control had been prepared in full accordance with the guidelines of the Business Plan and swiftly implemented. His Government commended the leadership demonstrated by the Director-General. Administrative reform would soon be completed and UNIDO should now concentrate on transforming its substantive activities in line with the Business Plan. It welcomed the Director-General's effort to build up momentum for programmatic reform and looked forward to hearing preliminary ideas on UNIDO's integrated products. Sustaining the quality of projects depended largely on how crucial information was shared between donors, recipients and the Secretariat. Japan would study the integrated products very seriously and participate actively in their preparation.

81. Programmatic reform should not be confined to a regrouping or renaming of existing projects. Bold decisions should be made on how to integrate existing projects and to formulate new ones based on the Business Plan. A new mechanism was necessary to provide an overview of the entire project life cycle in the light of the directives of the Business Plan. Much could be done with the new measures to be put into effect in the Secretariat, but Japan believed that additional measures were required to increase the responsiveness, transparency and effectiveness of projects, and therefore wished to propose the establishment of a mechanism which would allow Member States, with the Secretariat, to conduct a policy dialogue in order to ascertain which project could best contribute to the priorities set out in the Business Plan.

82. Regarding administrative reform, he congratulated the Director-General on his efforts to restructure the Secretariat. He was generally satisfied that the new organizational chart reflected the changes requested the previous year but considered it important now to improve morale and move ahead in creating a new working culture in the Secretariat. He welcomed the measures taken to promote career rotation and the development and elaboration of performance indicators. He had noted with satisfaction that the staff in the new Director-General's Office had been reduced by half and become more specifically work-oriented. While understanding that present circumstances necessitated the creation of some additional posts such as those of Special Advisers, he wondered whether their continuation on a permanent basis could be justified under the Business Plan.

83. Japan considered it important to harmonize the activities of the network of Investment Promotion Service (IPS) offices and coordinate them with the activities of field offices in developing countries. UNIDO should also consider carefully how the IPS network's ability to carry out investment promotion activities could be enhanced. Those activities were one of the pillars of UNIDO's activities. They played an important part in assisting the industrialization of the developing countries, particularly at a time when globalization was offering opportunities but also increasing risks of marginalization. Many developing countries and economies in transition deserved to benefit from UNIDO's policy advice on how to enhance their capabilities to attract direct foreign investment. Japan had carefully studied the memorandum of understanding signed recently with UNCTAD. It understood that its purpose was to eliminate duplication of activities and enhance effective collaboration and synergy between the two bodies. It took it that it would be implemented in such a way as to enhance UNIDO's ability to engage more closely in so-called "upstream" activities, as agreed in the Business Plan.

84. Activities related to environmentally sustainable development constituted another important pillar of UNIDO, which had played a leading role in implementing the ozone layer protection projects under the Montreal Protocol and was exploring further how to

implement environmentally friendly projects under other international protocols. Japan attached high priority to such environment-related technical cooperation projects and hoped that UNIDO's expertise in the area would be fully used. UNIDO should become a more effective partner for bilateral development agencies and exhibit clearly its comparative advantage to ensure complementarity in development cooperation. Japan urged UNIDO to explore further the possibilities of establishing strategic partnerships on an individual project basis between multilateral organizations and bilateral assistance sources. Such cooperation was one of the key elements to be taken into consideration when discussing reforms at project level.

85. His delegation noted that, thanks to the stringent control of cash outflow by the Director-General, the present cash position of the Organization had improved remarkably compared with the critical situation prevailing the previous year. It wished to stress the need to continue such stringent financial management and reduce costs whenever possible. The reform of UNIDO and its satisfactory performance could not be sustained without the full payment of Member States' contributions and he therefore called on all Members who owed arrears to the Organization to pay their dues without further delay. He commended the excellent work done by the open-ended discussion group on timely payment of assessed contributions. He hoped that some of the proposed solutions would contribute to stabilizing UNIDO's financial basis. For its part, Japan had paid its 1998 assessed contribution in full in March.

86. The Japanese Government was assessing the role of the new UNIDO in the light of the new development strategy. It considered that the Second Tokyo International Conference on African Development (TICAD II) to be held the coming October would provide a good opportunity for UNIDO to demonstrate its potential in the wider context of development. Africa was the region to which Japan attached special priority and it was also the region that UNIDO intended to concentrate on.

The meeting rose at 1.10 p.m.

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Industrial Development Board

Nineteenth session

SUMMARY RECORD OF THE 2nd MEETING

Held at the Vienna International Centre, Vienna,
on Monday, 18 May 1998, at 3 p.m.

President: Mr. PITTALUGA FONSECA (Uruguay)

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The meeting was called to order at 3.15 p.m.

ORGANIZATIONAL MATTERS

1. **The PRESIDENT** said that the Bureau had decided to recommend to the Board that it follow the practice established at previous sessions, namely, to hold informal in-session consultations to facilitate the drafting of decisions and subsequent consensus in the plenary. All members of the Board were urged to participate in the consultations.

2. With regard to item 19, the Bureau had recommended that, as on previous occasions, it should itself examine applications from non-governmental organizations for consultative status with UNIDO and make recommendations which would be submitted to the drafting group in the form of a draft decision.

3. *It was so decided.*

4. **The PRESIDENT** added that any texts of draft decisions should be submitted to him as soon as possible, before being submitted to the informal consultations. The deadline set for their submission was 6 p.m that day.

5. The Bureau had also recommended that Mr. A. Nizam El-Din, Vice-President, should chair the consultation meetings.

6. Since the Board at its current session was scheduled to complete its work within two days, the Bureau had agreed that draft decisions could be discussed in the informal consultations before the related items were taken up in the plenary.

ANNUAL REPORT OF THE DIRECTOR-GENERAL ON THE ACTIVITIES OF THE ORGANIZATION IN 1997 *(continued)* (IDB.19/10 and Add.1 and 2; IDB.19/CRP.7)

UNIDO TECHNICAL COOPERATION ACTIVITIES IN 1997, INCLUDING OPERATIONAL ACTIVITIES FOR DEVELOPMENT *(continued)* (IDB.19/3)

SECOND INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA *(continued)* (IDB.19/5)

INDUSTRIALIZATION OF THE LEAST DEVELOPED COUNTRIES *(continued)* (IDB.19/8)

FIELD REPRESENTATION *(continued)* (IDB.19/11; IDB.19/CRP.8)

INTERNATIONAL CENTRE FOR SCIENCE AND HIGH TECHNOLOGY (IDB.19/7)

PERFORMANCE INDICATORS *(continued)* (IDB.19/6; IDB.19/CRP.2)

TIMELY PAYMENT OF ASSESSED CONTRIBUTIONS *(continued)* (IDB.19/12 and Corr.1, IDB.19/13; IDB.19/14; IDB.19/CRP.3)

7. **Mr. REGUIEG** (Algeria), speaking on the behalf of the Group of 77, said that, as UNIDO continued to pursue the reform process, its original mandate of bringing a better life to the peoples of the planet through industrial development should not be forgotten. That goal was now the responsibility of a new generation of citizens who would not permit any erosion of the right to development to which the Group of 77 had always been committed. UNIDO remained the symbol and manifestation of the sovereign will of its Members to help the people of the developing world to help themselves. Operating under a new Director-General, who, after only five months in office, had already exceeded the expectations of Member States, and with the Business Plan on the Future Role and Functions of UNIDO, adopted after long and hard negotiations, the Organization was ready to become an international forum, a catalyst of information and services, in which Member States could participate according to their levels of development, with flexibility, realism and transparency, bearing in mind the diversity, characteristics and needs of the different regions.

8. Agenda items 4 and 10 related to activities undertaken in 1997 under different guidelines and thematic priorities from those adopted in December of that year at the seventh General Conference session within the reform process. In the course of 1997, the Organization had spared no effort to provide conditions conducive to the implementation of a number of industrial ventures for various regions, in particular Africa. Africa should remain a primary recipient of UNIDO's services.

9. The performance indicators system should become an integral part of future annual reports, so as to provide Member States with the comprehensive information needed to assess the work of the Organization and its performance both at Headquarters and in the field. Those indicators would in fact be crucial to Member States' evaluation of services and programmes and of the implementation of the reform process. The Secretariat should therefore introduce mechanisms through which the indicators would be operated, with a view to serving all Member States, recipients and donors alike.

10. The Group of 77 agreed in principle with the plan introduced by the Secretariat regarding the Second Industrial Development Decade for Africa (IDDA) and

looked forward to its implementation in the light of the four thematic priorities of the Plan of Action for the Alliance for Africa's Industrialization. The Group stressed the importance of convening a donors' conference in late 1998 or early 1999 with a view to obtaining commitments and pledges for industrial development programmes in Africa.

11. In relation to agenda item 7, UNIDO should strengthen its cooperation and coordination with least developed country (LDC) programmes and with other agencies of the United Nations system, in the light of the recommendations and conclusions of the Fourth Ministerial Symposium on the Industrialization of the Least Developed Countries held at Vienna in November 1997.

12. With regard to field representation, he welcomed the efforts made by the Director-General and the Secretariat since the last session of the General Conference to develop an operational mechanism. In revitalizing the field representation programme, the concepts of equitable geographical representation and flexibility should be taken into account and an integral approach adopted, bearing in mind specific criteria, objectives and programmes and the needs of each region. It was to be hoped that the field representation programme would be elaborated with due regard for the concerns of all regional groups and their legitimate aspirations to gradual and balanced development.

13. With regard to agenda item 11, the Group of 77 greatly appreciated the administrative and financial measures recently introduced by the Director-General to streamline operational expenditure and limit the costs of the staff separation programme, and was encouraged by the positive trend towards early payment of assessed contributions for the current year. Much remained to be done in that area, however, particularly in relation to the settlement of arrears. In that connection, the open-ended discussion group had made commendable efforts.

14. The suspension of the voting rights of 68 Member States, including those of eight members of the Board, was a matter of some concern. The Group appealed to all those Member States to reverse that situation and enable the Secretariat to accelerate the implementation of the programme and budgets for 1998-1999.

15. With regard to personnel matters and the composition of the Secretariat, the Group of 77 believed that the principle of equitable geographical representation should be applied at all levels in view of the under-representation of the developing countries, especially at the decision-making levels. The issue of gender balance at all levels, especially at the D-1 and D-2 levels, also needed to be addressed in line with the system-wide reforms.

16. Member States should give UNIDO the chance to consolidate its reforms, in a climate of stability; they should strengthen the Organization and give it the means to accomplish its important mission.

17. **Mr. HOBEICA** (Lebanon) expressed appreciation for the Director-General's presentation of the various phases of reform. The achievements so far were promising but the Business Plan could not be implemented properly and according to schedule unless contributions were paid on time. He commended the efforts of the discussion group on timely payment of assessed contributions.

18. Industrial development was a means to the end of economic development in general and not an end in itself. UNIDO should therefore focus on providing incentives for developing countries to become involved in broader economic development programmes and to establish strategic links between industry and other sectors of the economy, bearing in mind the importance of the private sector in industrialization processes.

19. Ecological issues were of great importance and clean industrial processes should be a top priority in all countries, in view of such problems as ozone-layer depletion and climate change.

20. Field representation had always been of great importance. UNIDO's study would therefore provide a basis for equitable geographical distribution and for reviewing field office operations. The Director-General should have broader and more flexible operational facilities to give him access to all available information on the operations of the field offices, including ways of exploiting their potential. Lebanon supported all the measures referred to by the Director-General to alleviate the administrative burden on staff in the field offices. The Lebanese Government had proposed that premises be made available in Beirut to house the offices of the Economic and Social Commission for Western Asia (ESCWA) and the United Nations Development Programme (UNDP), and possibly also of UNIDO in the near future.

21. UNIDO had always played an important role in the economic development of Lebanon and its support was vital for the continuation of that process. Lebanon supported the Director-General's proposals and would do its best to cooperate in implementing the reform process and furthering industrial development.

22. **Mr. BAN** (Republic of Korea) said that, given the socio-economic implications of industrial development, the role and function of UNIDO should be further strengthened through commitment on the part of Member States.

23. His delegation greatly appreciated the dynamism and diligence displayed by the Director-General in implementing the reform plan and supported the organizational restructuring, staff reductions and in particular the programmatic transformation. It hoped that the integrated packages of services would help promote UNIDO's status in the international community. Member States should in future give the Director-General a broader mandate to enable him to take more decisive and bolder initiatives in reforming UNIDO. Only in that way would the Organization be able to introduce new blood and overcome its identity crisis. The recent Forum on Industrial Development had provided a good opportunity to discuss the future direction that UNIDO should take so as to enable the developing countries to meet the challenges of globalization. The views expressed at the Forum would undoubtedly be taken into account in the implementation of UNIDO's programmes and projects.

24. Field representation activities, in particular, should be strengthened so as to enable UNIDO to respond more effectively to the requirements of developing countries and countries with economies in transition. At the same time, greater attention should be given to countries where no field office existed, particularly the LDCs.

25. In the context of cooperation between UNIDO and the Republic of Korea since 1997, the Investment Promotion Service (IPS) office in Seoul was continuing to promote investment projects for developing countries, and work on the preparatory phase for the establishment of the International Centre for Material Evaluation Technology (ICMET) was proceeding with government funding. Also, an Asia-Pacific Workshop on the Environmental Risk Assessment and Management of Chemicals had been held in Seoul in April 1998. His Government would continue to cooperate with UNIDO in promoting the industrialization of developing countries.

26. **Mr. MANNO** (Italy) expressed his full support for the statement made by the United Kingdom on behalf of the European Union.

27. UNIDO's IPS office in Italy had started operations in Milan in 1987 with the broad mandate of promoting industrial cooperation between Italian firms and those of developing countries; agreement had been reached on extending the activities of the office until December 1998. At the beginning of 1997, a second office had been opened in Bologna.

28. In the 10 years of its existence, the Milan IPS office had concluded 184 projects for a total investment of some $1.133 million—an average investment of just over $6 million. Approximately 25 per cent of the projects circulated by the office had generated specific inquiries by Italian entrepreneurs. Of the projects reported as concluded, 49 had reached the operational stage or were being implemented, for a total investment of $171.38 million, i.e. an average investment of $3.48 million.

29. The IPS had slowly expanded its activities to cover all the regions of the world, targeting individual countries in the context of integrated investment promotion programmes launched by UNIDO and supplementing activities conducted under the auspices of UNIDO with special bilateral programmes which were aimed at better fulfilling requirements and demands originating from the Italian business community.

30. Equally crucial was support for human resources development. More programmes focusing on people-to-people exchanges and experience-sharing needed to be implemented, in order to provide small and medium enterprises in developing and developed countries alike with the opportunity to gain and maintain a leading edge over competitors. Interaction between developing and developed countries was expected to result in increasing integration and expansion of the global economy through mutually beneficial trade and investment.

31. The opening of the Bologna office had resulted from a number of changes that had taken place since the early 1990s in the context of the globalization process. The office had then been faced with the need to support SMEs in developing countries, which were confronted with extensive internationalization of their operations, but were unable to grasp the opportunities or counter the threats involved.

32. Over the past few years, the Bologna office had reconciled humanitarian aspects of cooperation with economic factors. Against that background, the opening of the Bologna office reflected a new concept of cooperation between developing and developed countries, hinging on the dynamics of local systems and on the resources of SMEs, which often had great difficulty in gaining access to sources of finance, despite the viability of their projects.

33. The Italian Investment Promotion Network Unit in Egypt might be an interesting reference model. In 1996, the IPS had developed a project to support Egypt's efforts to stimulate industrialization and develop local entrepreneurship, by promoting joint business activities between entrepreneurs in Egypt and Italy, particularly SMEs. The mandate of the Unit in Egypt was to establish direct contacts with the Egyptian business community in order to assist individual entrepreneurs in formulating and developing new industrial projects. The Unit endeavoured to identify business opportunities, assess their viability and promote them within the Italian business community.

34. The most significant and innovative feature of the programme was its links to a bilateral concessional credit line to be made available to Egyptian entrepreneurs. The

objective was to foster the development of new enterprises, the acquisition of new technology and the creation of job opportunities. The Unit was also expected to play an important role in assessing the viability of each proposal to be financed through the credit line. It had funds available to co-finance the development of business plans and feasibility studies, to provide ad hoc technical, managerial, marketing and financial expertise to individuals and groups of entrepreneurs, to support the participation of Egyptian businesses in exhibitions in Italy, and to co-finance technology innovation programmes.

35. The Bologna office had started its activities on 1 February 1998. Negotiations to extend a similar service to other countries, including Albania and India, were already at an advanced stage. The office had also been very active in supporting the 1998 Asia-Europe Small and Medium Enterprises Conference (AESMEC).

36. **Mr. FABIJANSKI** (Poland) said that 1997 could be regarded as a milestone in the life of UNIDO, whose restructuring and new leadership should make it more responsive to the needs and expectations of Member States and the rapidly changing global environment.

37. The United Nations system organizations faced demanding tasks and responsibilities in a changing world. UNIDO needed to find its proper place in the new environment and perform its tasks in a new and more appropriate way.

38. The Director-General's opening statement had referred to a number of substantive issues—industrial development in a liberalized and globalizing world economy, the promotion of sustainable industrial development and the promotion of clean industry. Those issues were of the utmost importance not only to UNIDO itself but also to its Member States and to the world economy.

39. The documents submitted to the Board and the achievements of the Director-General in his reform of the Organization all indicated that UNIDO was moving in the right direction, specializing and adjusting its activities and targets to the current needs and demands of Member States. UNIDO's search for a meaningful way of functioning in new global circumstances had required substantial changes in its structure as well as a new programmatic approach. Its new organizational structure was in conformity with the concept of clustering activities to focus on strengthening industrial capacities and on cleaner and sustainable development.

40. Adjusting the number of posts to the financial demands of Member States and to the newly defined tasks of the Organization had been a painful operation but would undoubtedly improve effectiveness and efficiency and accelerate the decision-making process.

41. Poland highly appreciated the results of the discussion group on timely payment of assessed contributions. It also supported proposals on a new formula for field representation, the concepts of integrated packages of services and of performance indicators and enhanced cooperation with other international organizations.

42. The Government of Poland hoped to see UNIDO firmly placed among other organizations of the United Nations system, serving the pressing needs of its Member States, particularly the LDCs of Africa, Asia and Latin America, and of the countries in transition. Multilateral cooperation would also help to alleviate the burden of adjustment to the new situation of the developing countries, particularly those of Africa. UNIDO's Constitution had become more relevant than ever, owing to technological innovation, the liberalization of trade and investment, and globalization on the one hand, and the need to reduce social inequities on the other. Poland had never regarded industrial development as a unique solution for developing countries but saw it as one of the most basic and critical objectives for those countries.

43. Achievement of the objectives of the current reform programme would have a positive impact on the future of UNIDO. Past experience indicated a movement towards positive and successful reform, and it should not be ignored in efforts to recreate a relevant and successful organization, capable of playing an important role in industrial development in years to come. The Government of Poland was fully committed to participating in the implementation of UNIDO's reform.

44. **Mr. TIWARI** (India) said that UNIDO provided a unique forum for exploring ways and means of rejuvenating industry for the greater well-being of Member States, especially developing countries, in the current global climate marked by a general decline, especially in the industrial sector, and a concentration on financial and currency management at the expense of genuine management of the economy and industrial development, which alone could bring about growth, employment and all-round prosperity. In connection with those goals, the time had also come to review long-term strategies previously regarded as highly successful, such as that of export-led growth.

45. As a multilateral agency, UNIDO had a particularly important role to play in the development of national institutions and capabilities permitting Governments to meet the challenges posed by a borderless economic system dominated by conglomerates and to seize the opportunities opened up by the global market. Only through multilateral institutions and approaches could an international system be created which not only maximized

global growth but also achieved a greater measure of equity.

46. The successful completion of the first phase of UNIDO's restructuring process, made possible in part by the efforts of the new Director-General, should be seen as merely the start of the process of fully implementing the Business Plan and strengthening the Organization's programmes and initiatives.

47. In the field of human resources development, through UNIDO's support and in cooperation with the Entrepreneurship Development Institute of India, his Government had set up a regional centre for strengthening industrial management capabilities at the enterprise level to cater to the needs of LDCs, establishing a focal point in Botswana as a first step. In the belief that UNIDO should intensify its efforts to harmonize development and environmental imperatives and attach high priority to technical cooperation directed towards the abatement of pollution and promotion of cleaner production technologies, India was currently formulating proposals, to be submitted to the General Environmental Facility (GEF), for increasing the efficiency of industrial boilers and reducing pollution levels in cement plants.

48. In close association with UNIDO, India had over the past three years organized a series of INTECHMART programmes to promote financial and technical cooperation with foreign entrepreneurs and had also held workshops on build-operate-transfer (BOT) and other instruments. Such efforts now needed to be systematized in order to reduce overheads, hence the launching of state-specific INTECHMARTS, the first of which were to be held shortly in Gujarat and West Bengal. The Indian Government had also approved a project to facilitate SME matchmaking on a continuous basis.

49. In line with its support for South-South cooperation, the Second IDDA and industrialization of LDCs, his Government was contemplating a project for the transfer of industrial technology to LDCs in the African region, where competitive advantages were best exploited through an agro-based industrial strategy.

50. UNIDO was also the best-placed agency to establish an institutional mechanism for the efficient and cost-effective collection and dissemination of data on industrial development, an endeavour which it could set about in earnest now that its new organizational structure was in place. In that regard, India hoped that UNIDO would remain involved in a suitable capacity in the International Centre for Science and High Technology in Trieste.

51. The commendable efforts already made to strengthen the structure of UNIDO's field representation on the basis of objective criteria and to decentralize authority should be directed in the next biennium towards developing a proactive, competent and professional field organization delivering services and products to the developing countries, thereby improving the Organization's contact with clients and building partnership with the many public and private agencies in the development field. A balance was needed between expertise in the field and the critical mass of staff capacity at Headquarters, as well as between the volume of services delivered through field offices and the cost of such services. Regular rotation between Headquarters and field personnel was also an important consideration, regarding which the Director-General's progress report was appreciated.

52. UNIDO should intervene in private sector development only at the specific request of private enterprises and for the purpose of institutional capacity-building. Experience showed that, while private sector development should indeed be the main engine for the economy, a judicious mix of private and public spending would help remove the bottlenecks impeding long-term industrial growth, while privatization could be achieved more smoothly through the regional exchange of information and experience at the macro and micro levels.

53. Again, at the regional level, cooperation in a programme for upgrading industrial skills and the exchange of best practices would help meet the challenges of the next century. India would support any UNIDO initiative for sharing its industry-related software expertise in which the private sector was actively involved.

54. In the interests of encouraging timely payment of assessed contributions and thus permitting cost-effective channelling of UNIDO's resources, he welcomed the Secretariat's proposal to levy a reasonable percentage-based penalty on assessed contributions not paid by the end of each calendar year. Donor countries should also support UNIDO's programmes and projects by increasing their voluntary contributions, while recipient countries should work closely with the Organization to mobilize funds from diverse sources. For its part, India was making an annual voluntary contribution of $1 million to the Industrial Development Fund (IDF).

55. **Mr. AMIRKHIZI** (Islamic Republic of Iran) said that UNIDO's new leadership had made every effort to achieve smooth implementation of the Business Plan and that the close cooperation and contacts between the Secretariat and Member States had resulted in the mutual confidence necessary for the Organization's transformation into a dynamic institution responsive to the industrialization needs of developing countries.

56. Now that the first phase of UNIDO's restructuring had been successfully completed, the second phase would focus on the Organization's substantive programme, to be implemented through the provision of an integrated

package of services with the ultimate aim of improving living standards worldwide.

57. His delegation commended the efforts of the Director-General and the Secretariat to develop operational mechanisms for the review of UNIDO's field representation and, likewise, fully supported the Organization's efforts for the assessment and implementation of projects related to international environmental codes and norms. With regard to the environmental issue, he encouraged the Director-General to strengthen the capacity-building efforts of UNIDO concerning the recovery and recycling of wastes and the reuse and safe disposal of residues, as well as training in the design, operation and management aspects of pollution control and related technologies.

58. Given the large number of projects under way in 1997, his delegation advocated reducing their number with a view to strengthening their impact in terms of technical delivery and thus improving the overall cost-benefit ratio for the Organization. A smaller number of larger projects would be more likely to achieve the comprehensive coverage needed by developing countries and help them improve the quality of their products and their competitiveness in the global market. Furthermore, the targets for projects should be economic growth, employment generation and poverty alleviation rather than full utilization of budgetary funds.

59. With regard to the Organization's financial situation, despite the payment by some countries of their outstanding contributions and the considerable efforts made by the open-ended discussion group, the situation had not improved substantially, primarily because of the non-payment of arrears by the former major contributor.

60. Finally, he stressed the significant role to be played by UNIDO in promoting fair cooperation between the developed and the developing world and in helping developing countries to adapt to the demands of the globalizing world economy.

61. **Mr. CELSO DE OURO-PRETO** (Brazil) said that the reform of UNIDO and the resultant, lighter organizational structure with its greater scope for horizontal communication between divisions would make for more efficient coordination and would enable the Organization to meet the new challenges facing it. Similarly, the concept of decentralization deserved the support of Member States, while the contacts and agreements now being forged with organizations such as UNDP and the United Nations Conference on Trade and Development (UNCTAD) were also welcome.

62. He reaffirmed his country's view that UNIDO should maintain its universal character in order to meet the needs of the different regions and subregions in a flexible manner.

63. Brazil attached particular importance to cleaner production technologies and accordingly hoped that its Porto Alegre project (EP/GLO/95/003) would be extended for a further 24 months. His country would also welcome cooperative ventures in the area of human resources development and quality control.

64. In conclusion, he called for renewed political support for UNIDO so that the process of redefining its future might be completed and the Organization could move forward into a new era of solidarity and stability.

65. **Mrs. AGGREY-ORLEANS** (Ghana), endorsing the statements made on behalf of the African Group and the Group of 77, thanked the Director-General for his clear and instructive overview of the measures already taken towards UNIDO's genuine transformation and for his commitment, dynamism and determination. She hoped that the signing of the memorandum of understanding with UNCTAD would mark the beginning of close, meaningful and results-oriented cooperation between UNIDO and other United Nations agencies and bodies.

66. It was heartening to note the encouraging performance of the manufacturing sector in sub-Saharan Africa, as well as the increased level of UNIDO's technical cooperation delivery for that region and the Organization's renewed commitment to assisting African countries, particularly LDCs, in their industrial development efforts.

67. UNIDO had a paramount role to play in helping African countries to establish partnerships on a firmer basis with a view to achieving sustained economic growth and development and, in particular, to establish a sound industrial base. It was her fervent hope that UNIDO and other development partners would continue to support the region in the areas of priority endorsed by the General Conference at its seventh session, within the context of the Alliance for Africa's Industrialization and the programmes of the Second IDDA.

68. Her delegation welcomed UNIDO's response to the growing importance of the private sector as the principal agent of economic development and urged it to disseminate information to the private sector, especially SMEs, so that it could take full advantage of the new services offered. Such publicity should give prominence to UNIDO's success stories so as to strengthen the confidence of the private sector and developing countries in the Organization.

69. Ghana was highly appreciative of the technical assistance furnished by UNIDO for a number of projects,

including the integrated development programmes for the wood, fisheries and packaging industrial systems, which had formed the basis of a consultative mechanism involving "clusters" for the development of programmes by the private sector. She was confident that the necessary funding for such programmes would be forthcoming.

70. A further example of the excellent relations and fruitful cooperation between Ghana and UNIDO was the sorghum project, under which a pilot malting plant was now fully operational, with a pilot brewing plant to be installed shortly. Ghana hoped that such cooperation, which contributed significantly to its industrial development effort, would continue and that UNIDO would remain firm in its commitment to the goals set out in the Business Plan.

71. In that regard, her delegation had taken note of the important linkages between the Business Plan and the Second IDDA, as well as the programme framework for implementation of Decade activities and the Alliance. Since industrial development was a multidimensional process, her delegation endorsed the interdisciplinary approach set out in the Business Plan, whereby UNIDO would provide comprehensive packages of integrated services under the Alliance.

72. The special support to be provided for the development of agro-based industries was particularly welcome, since linkages between the industrial and agricultural sectors had a potentially vital role to play in alleviating poverty. The various types of industry benefiting from such support ranged across the entire spectrum from the informal sector and micro enterprises to large-scale operations.

73. The success of the refocused Second IDDA depended on adequate funding, in which regard she welcomed the donors' conference to be held early the following year by UNIDO in conjunction with UNDP and the African Development Bank. The Alliance provided an efficient mechanism allowing UNIDO and other multilateral institutions and donors to coordinate their efforts to mobilize the necessary resources in support of Africa's industrial development. Without such coordination, it was virtually impossible for any single donor agency to tackle all the complex industrial problems of any one developing country.

74. The opportunity provided under the Alliance for a mechanism for consultation between the public and private sectors based on industrial partnership councils was in line with the redefinition by Member States of the respective roles of those sectors. In Ghana, the Private Sector Advisory Group had been established in 1989 and had provided a typical example of such a consultative mechanism. Where such mechanisms already existed, they could be strengthened or reorganized to act as industrial partnership councils, with the aim of avoiding duplication.

75. **Mrs. OK** (Turkey) congratulated the Director-General and the Secretariat on the clear and concise documentation provided and welcomed the new staff structure, which would make for more coordinated implementation of programmes and projects and better coordination across the Secretariat, while also allowing the Director-General to work more closely with all his staff, particularly those most directly responsible for projects.

76. She also welcomed the Director-General's new principles for UNIDO's transformation, which corresponded to the principles advocated by her delegation for the past five years, namely a new vision, a sense of unity and direction, a working culture with greater delegation of authority, a sense of innovation and transparency and, most important, dialogue with Member States. It was gratifying that UNIDO finally had a young manager with the courage, vision and contemporary intellect to pursue those principles.

77. With regard to the Director-General's intention of delegating more authority to his managing directors, directors and field offices, she noted the precarious balance to be maintained between control and decentralization. Maintaining that balance depended on the efficiency and conscientiousness of staff vested with new powers; careful monitoring of the process would be required and any staff found unable to fulfil their new responsibilities in accordance with the Business Plan should be redeployed. The personnel best able to serve UNIDO in the future would be innovative in their thinking rather than bureaucratic.

78. Her delegation also appreciated the Director-General's new approach of maintaining a close dialogue with Member States, an approach which took due account of the fact that it was Governments and their representatives that decided about national policies with respect to UNIDO. She therefore requested that government representatives be notified of any decisions of relevance to their country taken by UNIDO staff or any visits by such staff. Furthermore, staff should bear in mind that all visits were ultimately financed by Member States.

79. Noting the crucial role played by field representation in UNIDO's future, she urged the Director-General to support all forms of representation on condition that the host country offer a financial contribution towards its costs or provide other facilities. UNIDO should act as an honest broker, which implied careful assessment of inputs and outputs and of the advantages and disadvantages inherent in every opportunity arising.

80. In connection with the Director-General's welcome announcement of the appointment of a focal point for women, she hoped that the person designated would have wide experience in the area of women's affairs and would work closely with all personnel responsible for implementing projects related to women. Her delegation fully supported the proposal by the European Union that the principle of 50 per cent representation of women within the United Nations Secretariat should be extended to the UNIDO Secretariat.

81. In response to UNIDO's new Business Plan and its reformed management culture, Turkey was now considering resuming the important projects which it had put aside during the past two years. The Director-General's transparent and innovative approach would undoubtedly lead to new joint projects between Turkey and UNIDO.

82. **Mr. LANGELAND** (Norway) said that, while the reform process had indeed moved UNIDO in the right direction, the work of refocusing its activities and streamlining its organizational structure should continue. The main indicator of the success of the reform process was the added value that UNIDO could offer to member countries, with regard to which the concepts of performance indicators, evaluation and quality control were crucial to the Organization's credibility.

83. In order to safeguard its position in the future, UNIDO had to find its proper role within the system of multilateral development assistance by further developing its comparative advantages and building up its reputation as a centre of excellence in its defined programme areas.

84. Norway had on many occasions emphasized the need for stronger coordination of United Nations activities in the area of social and economic development and therefore welcomed the Secretary-General's reform proposals. It had also argued that the new coordination structure should be established throughout the entire United Nations system, *inter alia* in specialized agencies such as UNIDO, and that UNIDO's reform process should be seen as part of the overall reform of the United Nations. It was convinced that UNIDO thus had a role to play within the United Nations Development Assistance Framework (UNDAF), which would entail the physical integration of UNIDO's field offices into the "UN Houses" at country level. Such integration would generate considerable savings for all concerned. In that connection, Norway would welcome further information from the Secretariat on the role of UNIDO in the United Nations reform process and believed that country-level integration with other United Nations agencies should be considered in relation also to decentralization in UNIDO. Moreover, Norway expected that practical results should now be forthcoming from the twin processes of integration and decentralization.

85. In the context of coordination between UNIDO and other United Nations agencies, his country welcomed the partnership recently established with UNCTAD and looked forward to similar initiatives with other United Nations institutions or other organizations representing civil society.

86. Norway took the view that the best way forward for UNIDO in the future was to continue to sharpen its geographical and thematic focus, while concentrating on industrial policy in the LDCs as the main component of its mission. That implied laying special emphasis on agro-based industries, the environmental dimension of industrial development and capacity-building, areas which accorded with the priorities defined in the Business Plan. The importance of maintaining the gender perspective in relation to operational activities in the field as well as employment policy at Headquarters should also be stressed.

87. Regarding ongoing administrative reforms, Norway commended the Director-General for the progress made during the past five months. The economic difficulties facing UNIDO called for stringency in budgetary planning, in which regard Norway urged all countries to meet their financial obligations unconditionally, in full and on time.

88. **Mr. EFENDI** (Indonesia) said that the current session of the Board would constitute a preliminary brainstorming exercise to pave the way for full implementation of the Business Plan adopted at the last General Conference session. Indonesia had been encouraged by the new vitality displayed by UNIDO since that time, and noted with satisfaction the emergency administrative measures taken by the Director-General to maintain the effectiveness of the Organization in the face of dire financial circumstances and to ensure the continued delivery of its technical cooperation services to Member States. It looked forward to the unveiling of the new package of integrated services that the Secretariat was preparing.

89. The discussions at the recently held Forum on Industrial Development had provided greater insight into the challenges of globalization, whose impact could be seen in the economic crisis currently engulfing the countries of Asia, including Indonesia. The Forum had offered several ideas on how UNIDO could indirectly play an important role in helping minimize such impact by, *inter alia*, assisting professional associations and institutions in designing services better suited to the needs of competitive industries and in generating revenue that would ensure their sustainability, particularly in a market-driven environment.

90. His delegation also welcomed the conclusion of a memorandum of understanding with UNCTAD. That

would create a better division of responsibility within the United Nations system for assistance to developing countries and, more importantly, also reflected the two organizations' ability to combine their resources in areas such as the development of regulatory frameworks for investment and the promotion of technological innovation.

91. The matter of the settlement of Member States' arrears called for the Board's utmost attention. With regard to the recommendations contained in the report by the Chairman of the discussion group on timely payment of assessed contributions (IDB.19/12), his delegation wished to emphasize that permitting LDCs to pay their arrears in local currency could alleviate the problem of late payment arising from fluctuations and volatility of foreign currencies. With regard to the arrears of the United States of America, his delegation shared the view that the establishment of a contact group should be given high priority. The recent bill proposed by Congress linking the payment of that country's arrears to unconnected issues, although vetoed by the President, indicated that the recovery of the United States debt would be a long and complicated process.

92. The Indonesian delegation hoped that the request to the working group on the future role and functions of UNIDO to further develop a set of criteria concerning performance indicators would be given serious attention, with a view to avoiding repetition. The elaboration of a new set of criteria was essential in enhancing the Organization's capacity to adjust to the new economic situation and to pursue its reforms.

93. His delegation was currently considering the Secretariat's proposals concerning field representation. It considered that the ideas put forward were in line with the concept of decentralization as stipulated in the Business Plan. It shared the view that importance should be attached to the principle of equitable geographical distribution. His Government was also giving consideration to the question of raising the level of host country cost-sharing in relation to field offices.

94. **Mr. CHEBELEN** (Romania) said that his country had supported the reforms undertaken by UNIDO to meet the changing needs of recipient and donor countries. It was in favour of the attainment of a higher degree of demand orientation, increased integration within the United Nations family, a shortening of the response time in technical cooperation delivery, and the delegation of authority to the field offices.

95. Romania's 25 years of experience with UNIDO had been extremely positive, the Organization having shown its ability to understand the country's priorities and tailor its projects accordingly. Activities over the last two years had concentrated mainly on converting installations in the refrigeration and cosmetic subsectors with the aim of phasing out ozone-depleting substances pursuant to the Montreal Protocol; the value of related projects currently amounted to some $5 million. UNIDO had played an essential role in the elaboration of the project documents and the securing of project approvals from the Executive Committee of the Multilateral Fund.

96. Conscious of UNIDO's capacity to deliver assistance in a wide range of fields essential to his country in its present transitional stage, his delegation would appreciate a diversification of the sources of funding and of the industrial sectors to be covered by UNIDO projects. It would particularly welcome projects in the areas of investment promotion, environmental protection, industrial information, SME promotion and private-sector development, which were in line both with national targets and with the Organization's thematic priorities.

97. His delegation hoped that UNIDO would attract the financial resources that would enable it to make full use of its capacities and to meet the major needs of Member States. In that connection, he commended the Director-General's efforts to conclude strategic alliances. That would enhance the impact of international assistance at the country level through better focusing of activities and the avoidance of duplication.

98. **Mr. HAYAT** (Kuwait), speaking on behalf of the Gulf Cooperation Council, said that 1997 had been one of the most difficult years for UNIDO but had at the same time marked a turning point in the Organization's existence, with the adoption of the Business Plan. That Plan reflected Member States' conception of the functions and activities to be undertaken by UNIDO and also emphasized the need to strengthen industrial development in all countries, both wealthy and poor, and particularly in the developing world.

99. It was clear that industrial development could not be achieved unless the necessary resources were made available. He welcomed the efforts of the Chairman of the discussion group on timely payment of assessed contributions, including the report now before the Board (IDB.19/12). It was particularly important to stress the need for settlement of the arrears accumulated to date.

100. The sum of $27.7 million had been allocated from the budget to programmes outside Headquarters; that was in addition to the sum of $2.9 million from extrabudgetary resources. The States members of the Gulf Cooperation Council welcomed UNIDO's initiative in that connection. They considered it necessary to enhance the performance of the field offices and supported the proposal whereby countries with strong economies would bear all or part of the costs of field offices in those countries. It was important for field offices to have a greater room for manoeuvre. The efforts of the Secretariat and the Director-General to further the decentralization of

activities were therefore to be commended. Future reports on the issue of field representation should include details of the distribution of the field offices, their functions and their relations with Headquarters.

101. **Ms. ALEMAYEHU** (Observer for Ethiopia) said that the report of the Director-General on the implementation of the programme for the Second Industrial Development Decade for Africa (IDB.19/5) was not too discouraging, despite the lack of resources. Her delegation was convinced that the Alliance for Africa's Industrialization, launched in 1996, was the best practical mechanism for realizing the goals and objectives of IDDA II. The adoption of the related Plan of Action by the Conference of African Ministers of Industry and the Organization of African Unity clearly indicated the unwavering commitment of Africa's leaders to upholding the Alliance and continuing the implementation of its programmes. Her delegation noted with satisfaction the preliminarily steps taken by UNIDO to establish the necessary institutional arrangements for the implementation of the Plan of Action at the national, subregional and regional levels and would keenly follow the Organization's activities in connection with the programme framework of IDDA for 1998. Ethiopia was particularly interested in the development of the high-impact programme designed for sub-Saharan African countries; it looked forward to the establishment of industrial partnership councils in countries of Africa, and hoped that fruitful results regarding funds mobilization would emerge from the donors' conference planned for 1998/1999.

102. Regarding the industrialization of the least developed countries, while her delegation was encouraged by the increase in the delivery of UNIDO's services and technical cooperation to those countries in 1997 compared with 1996, it was concerned by the downward trend in manufacturing value added growth in the LDCs, which had fallen from 4.5 per cent in 1996 to 4.1 per cent in 1997. Ethiopia believed that the industrial growth of those countries could play a key role in the creation of employment opportunities and contribute effectively to alleviating poverty and ultimately raising the living standards of the developing world. It therefore applauded the high priority given in the Business Plan to the industrial development of the LDCs, which were in great danger of becoming marginalized through globalization and liberalization of the international economy coupled with rapid technological advances. Countries with a limited industrial base and an underdeveloped infrastructure could face difficulties in integrating into the mainstream of the changing economic environment. UNIDO's services in rehabilitating and strengthening industrial capacities and developing technological skills in such countries, to enable them to participate in the global market, were thus crucial.

103. Ethiopia attached great importance to the linking of industry with agriculture with the aim of enhancing productivity and competitiveness in agro-industry. It therefore accorded high priority to the conclusions and recommendations of the Fourth Ministerial Symposium on the Industrialization of the Least Developed Countries and welcomed UNIDO's decision to focus its biennium programmes on the outcome of the Symposium.

104. To meet the formidable challenges in its future activities concerning the LDCs, UNIDO required the continuous commitment and financial support of donor countries. Ethiopia was certain that, for political, social, economic and other reasons and also in the global interest, the industrially advanced countries would not allow the LDCs to lag behind in the new competitive world. The LDCs possessed a large potential market for the products of such countries and could provide them with profitable investment opportunities; if supported in their development efforts, they could become effective economic and trade partners of the industrially advanced countries.

105. **Mr. PAPAZAFIROPOULOS** (International Trade Centre (ITC)) said that ITC had followed UNIDO's reform process with great interest, having itself completed a long and painful refocusing exercise. The results were encouraging: support from all stakeholders had increased substantially, and cooperation with recipients, donors and partners had become simpler and more results-oriented.

106. Against that background, ITC believed that it could begin a new phase of partnership with UNIDO. The mandates of the two organizations were fully complementary. Industrial development activities could not be successful in a globalized economy unless international market requirements were taken into account, and trade promotion activities could not be effective unless they were closely linked to the production process.

107. Also, ITC and UNIDO worked with the same partners, i.e. trade and investment promotion institutions, and, more importantly, small and medium enterprises, which were facing the tremendous challenge of moving from domestic-market-oriented production to marketing-led production development in line with standards set by global markets. There was vast potential in that field for collaboration and the development of integrated approaches to assist SMEs in their international business development.

108. That could be achieved preferably by networking with key players and centres of excellence such as UNIDO. Synergies and possibilities for cooperation between the two organizations had already been identified at meetings with the Director-General. As a next step, it was recommended that a joint platform of at least three highly complementary organizations, i.e. UNIDO,

UNCTAD and ITC, be established, to focus specifically on joint technical assistance to SME exporters.

109. **Mr. TOTH** (Hungary) said that the recently held Forum on Industrial Development had raised important topical issues on sustainable industrial growth. The discussions at the Forum had shown how UNIDO viewed the process of refocusing its services and activities with a view to converting the principles of the Business Plan into reality. The strengthening of industrial competitiveness on domestic and international markets and support for private sector development were also central pillars of Hungary's economic policy.

110. With regard to international standards, his delegation believed that quality and environmental management systems could indirectly contribute to industrial development if they were actively promoted by ministries of industry and their underlying principles were voluntarily accepted by management and staff at the enterprise level. While upgrading the standards infrastructure was fundamentally the mandate of the International Organization for Standardization, UNIDO could continue to play a prominent role in analysing the impact of the Uruguay Round agreements and the World Trade Organization's rules on industrialization in developing countries, as well as in promoting quality and environmental management system standards as elements of national industrial policies.

111. Hungary shared the concern that the African continent, and especially the sub-Saharan countries and LDCs, risked marginalization in the globalization process. It accordingly supported the holding of consultations on the elaboration of a new international consensus on ways of promoting industrialization in different groups of developing countries in the twenty-first century, with special emphasis on social progress and poverty eradication. That was an area where, possibly, UNIDO was the only body in a position to take initiatives and address complex development issues.

112. Concerning UNIDO's new organizational structure, his delegation had noted certain senior-level positions not foreseen in the Business Plan, i.e. those of assistant director-general and two special assistants. It understood the motivations behind that development and hoped that those positions and the related activities would increase the efficiency of the restructured UNIDO. Hungary noted with satisfaction that the staffing level of the newly established Office of Internal Oversight was now equal to the previously budgeted level of the Internal Audit Unit. It considered the Office to be necessary and would support it where it gave substantive assistance to the evaluation group and thus increased the impact of its work.

113. With regard to the staff reduction exercise, his delegation wished to suggest that an amended programme and budget be presented at the next session of the Programme and Budget Committee, reflecting the current situation, in order to provide an opportunity for Member States to comment on the action taken.

114. Hungary appreciated the Director-General's efforts in applying cost-control measures with the aim of establishing a clear understanding of UNIDO's financial position and changing the rules and regulations where necessary. It hoped that those measures and the recently introduced process of delegation of authority would improve financial efficiency and simplify procedures in general. He also hoped that the cross-organizational teams would prove to be efficient and believed that such a method was useful not only for solving pressing problems but also for promoting a culture of cooperation, and felt that staff performance should also be measured in terms of ability to contribute to team efforts.

115. On the subject of performance indicators, his delegation considered the concept developed by the Organization to be sound and wished to recommend that the proposed indicators be tested in a real environment as soon as possible. While appreciating the need for a pilot period for testing the methodology, he believed that it was important to support the efforts made to date and to fully develop a system that would give a fair picture of UNIDO's activities.

116. Finally, Hungary wished to commend the endeavours of the new UNIDO management to formulate a limited number of integrated products for assisting developing countries in identifying their real needs and setting their industrial development priorities.

117. **Mr. EDATE** (Madagascar) fully endorsed the remarks made by the representatives of the African Group and the Group of 77.

118. With regard to the Annual Report of UNIDO for 1997, Madagascar appreciated the exemplary efforts made to revitalize the Organization. It was now necessary to reinforce those measures and to support the structures established under the Business Plan, particularly in the area of technical cooperation and especially in Africa.

119. Turning to agenda item 8, his delegation agreed with the quantitative and qualitative criteria concerning field representation. However, with regard to the level of host country contributions, the LDCs' costs should be adjusted downwards and be proportional to per capita gross national product.

120. **Mr. TRONENKO** (Ukraine) said that his delegation welcomed the clear progress made by UNIDO in its activities and noted that, in view of the genuine restructuring of the Organization, involving considerable budget cuts and staff reductions, there was hardly likely to be any great increase in the delivery of services. However, the programmatic transformation of UNIDO into an organization with refocused objectives, offering clearly defined packages of integrated services, would make a real contribution to the industrialization of developing countries, especially LDCs and countries with economies in transition.

121. It was to be hoped that in the process of redefining its future role as a multilateral agency, the reformed UNIDO would not only pay greater heed to the specific requirements of countries in transition but would also endeavour to achieve real results in cooperation with such countries. Such truly fruitful cooperation was crucial to restoring not only the industrial potential of those countries, but also their ability to provide technical assistance to developing countries. In fact, many of the countries in transition had the potential, despite their temporary difficulties, to become pure donors of assistance.

122. His delegation therefore hoped that the new UNIDO, in its capacity as a global forum, would be able to move from a cautious policy of isolated projects towards a comprehensive industrial policy for countries with transitional economies and towards the establishment of an effective institutional basis for the development of a market economy in newly independent States.

123. For its part, despite all the difficulties of the current transitional stage, Ukraine would endeavour, within its available means, to assist the implementation of UNIDO's programmes and would attach particular importance to mobilizing the potential of local and regional authorities with a view to ensuring social stability and steady industrial development at the regional level.

124. Within the framework of the Montreal Protocol, Ukraine hoped that IDF funds could be secured for a new project aimed at the phased elimination of the use of ozone-depleting substances in refrigeration technology. His country was also keen to ensure the continuation of a project to establish its first cleaner production centre.

125. In the areas of industrialization, investment promotion and technology transfer, mention should be made of the successful holding of INTECHMART 97 in Ukraine, yet another example of fruitful cooperation with UNIDO and a reminder of the value of refocusing UNIDO's activities on areas such as the attraction of foreign investment, the promotion of environmentally sustainable development, the creation of favourable conditions for the transfer of environmentally clean technologies, support for SMEs and the restructuring of industrial enterprises to meet free-market demands.

PERSONNEL MATTERS, INCLUDING COMPOSITION OF THE SECRETARIAT (IDB.19/9; IDB.19/CRP.1)

126. **Mr. MAGARIÑOS** (Director-General) said that, in order to explain the reasoning behind the recently adopted administrative decision to implement a new personnel policy at the beginning of 1999, he would present an analysis of developments in personnel matters between 1992 and 1998. During that period there had been 743 staff separations—54 without cost implications for the Organization and 689 with cost implications. The costs involved in those latter separations had totalled $41.9 million, broken down into $34.6 million for 361 reductions under voluntary and non-voluntary staff separation programmes, $4.5 million for 107 retirements, and $2.8 million for 221 other separations, mainly due to expiration of contracts (124) and resignations (75).

127. If the 219 recruitments which had taken place during that period were deducted from the 689 separations with cost implications, the net staff reductions would amount to 470. Furthermore, if information normally available to personnel experts, such as retirements, expiration of contracts and resignations—totalling 328—could have been taken into account, only 142 staff separations with cost implications would have been necessary to arrive at the net reduction of 470 posts.

128. He believed that the policy pursued had been rather erratic and was probably based on the need to administer a series of political appointments and promotions. Even in those circumstances, it could have been conducted more efficiently.

129. Regrettably, contrary to the budget forecasts, the General Conference had approved a complete change in the Organization's priorities, allotting extremely limited funds to meet staff training needs. He therefore considered it essential to adopt a common staff development policy. The staff deserved to have an opportunity to develop their careers, with transparent promotion mechanisms in place. He would accordingly initiate discussions shortly with staff representatives and, even though not required under the regulations in force, with Member States, with a view to achieving cost savings and improving staff members' skills development.

130. **Mr. MOHANTY** (Managing Director, Field Operations and Administration Division) said that the report before the Board on personnel matters (IDB.19/9) explained the methodology followed in order to achieve the staff separations required by the 20 per cent reduction in the budget for the 1998-1999 biennium, in the absence of adequate cash resources to meet the costs involved. In order to contain the related costs and consequently the number of staff separations, the voluntary staff separation programme had been combined with a staff redeployment programme. Following consultations between the staff and management, the voluntary separation programme had been promulgated in January 1998, and all the staff separations approved had become effective at the end of February. After a review of the applications, the total number of staff involved was 92 (19 in the Professional category and 73 in the General Service category).

131. A non-voluntary separation programme had not been implemented since the necessary budgetary reduction had been achieved through the voluntary separations and staff redeployments. A review of staff redeployment would, however, take place later in 1998 to ensure that the skills profile of the redeployed staff met the programmatic needs. A staff separation programme might thus still be necessary if the programmatic requirements were not met by the qualifications and experience of the staff members concerned or through retraining.

132. The estimated cost of the voluntary staff separation programme, $10.8 million, was much lower than the earlier estimate of $15.9 million. The reduction had been achieved through steps taken by the Director-General, including ensuring reduced expenditure through a reduced number of separations in combination with a staff redeployment programme, reducing actual costs compared with earlier estimates, and achieving a shorter period of over-incumbency than that previously envisaged.

133. In order to secure cash resources to finance the staff separations, the Director-General had introduced stringent expenditure controls earlier in the year. The resources thus secured, together with the cash surplus from the unutilized balances from 1992-1993 and the remaining balance from resources assigned to staff separations in 1996, had been used to finance the immediate costs of voluntary separations. A sum of $8.8 million had been disbursed as at 30 April 1998, and additional disbursements were expected as a result of repatriation-related costs for eligible staff and separation costs for staff due to retire in 1998.

134. The report also provided information on the number of established posts and staff on board, and the number of staff before and after implementation of the separation programme, including information on Professional staff subject to geographical distribution and the number of female staff in the Professional category.

135. Part III of the report referred to developments in organizations within the United Nations common system, in the areas of staff salaries and entitlements. Those developments entailed some adjustments in the base salaries and pensionable remunerations of staff in various categories. The related costs could be absorbed under existing budgetary provisions for the biennium.

136. In part IV, the Board was invited to consider the election of one representative to the governing body of the Staff Pension Committee in order to fill a post which would become vacant.

137. A number of recent personnel-related developments had not been reflected in the report. Through a series of administrative measures in accordance with the Business Plan, the Secretariat had been reorganized into three divisions, namely the Investment Promotion and Institutional Capacity-Building Division with five branches, the Sectoral Support and Environmental Sustainability Division with five branches, and the Field Operations and Administration Division with five regional bureaux and four branches, plus a small office to assist the Director-General. The objective was to make UNIDO a highly professional organization in which the staff achieved excellence and state-of-the-art knowledge in their respective areas of competence.

138. To that end, the Director-General also proposed establishing, by the beginning of 1999, a staff career development system based on objective criteria to ensure open and fair competition in both recruitment and promotion, a high level of professional expertise exhibited through professional output in the form of monographs and published papers and outstanding performance, rotation of staff between Headquarters and the field, and a prescribed maximum length of service in the Professional category. Pending the introduction of the new system, which required analysis and discussion with the staff representatives, a number of preparatory measures would be taken in the period up to December 1998. A one-time promotion review would be made of staff at the junior and middle levels, in both the Professional and General Service categories, with the aim of alleviating stagnation at those levels, the promotions to be exclusively merit-based and designed to enhance staff morale with a view to realizing UNIDO's programmatic goals. New and revised job descriptions for all posts would be prepared in line with the new programmatic requirements in the light of the changes that had taken place following the adoption of the Business Plan and the programme and budgets for 1998-1999. Those job descriptions would form the basis for deciding on further staff redeployment on programmatic grounds and in accordance with the inventory of skills required for implementation of the programmatic priorities. The staff review that would take place to match skills with the

programmatic requirements would be based on the new job descriptions, which were due to be completed by September 1998. The job descriptions would also provide the basis for new recruitment to vacant posts and promotion of serving staff. All new recruitments and promotions of serving staff, except those covered by the one-time promotion, would be frozen until that exercise had been completed. Finally, a new recruitment and promotion system was being put in place, ensuring that future recruitment and promotion would take place through open and fair competition based on objective criteria and approved job descriptions.

The meeting rose at 6.10 p.m.

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Industrial Development Board

Nineteenth session

SUMMARY RECORD OF THE 3rd MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 19 May 1998, at 10 a.m.

President: Mr. PITTALUGA FONSECA (Uruguay)

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The meeting was called to order at 10.10 a.m.

INTERNATIONAL CENTRE FOR SCIENCE AND HIGH TECHNOLOGY *(continued)* (IDB.19/7)

1. **Mr. MARUNO** (Managing Director, Investment Promotion and Institutional Capacity-Building Division), introducing the agenda item, said that, following an exchange of letters between the Director-General of UNIDO and the Director-General of UNESCO, a counterpart had been appointed by UNESCO to deal with matters relating to the International Centre for Science and High Technology (ICS). A meeting had been convened by the Italian authorities on 8 May 1998 to discuss the future ICS programme. Subsequently, on 11 May 1998, the Director-General of UNIDO had written to the Italian authorities stating his firm intention of reaching amicable agreement on matters relating to the Centre.

2. **Mr. MANNO** (Italy) said that the Director-General, since taking office, had been cooperating with the Italian authorities in a constructive and friendly spirit to implement General Conference resolution GC.7/Res.12. Positive results could be expected from the collaboration between UNIDO and UNESCO, and he was grateful to UNESCO for its constructive approach. Italy was working with both agencies to facilitate the transition and to ensure the continuity of ongoing ICS activities for the benefit of developing countries. In December 1997 the Steering Committee of ICS had approved the work programme and the budget for the current year, and the future pattern of development had been defined at the trilateral meeting held on 8 May 1998 between the Government of Italy, UNIDO and UNESCO. Other meetings would take place shortly to define the details of the transitional phase. He assured members of the Board that the change in the institutional status of ICS would not have any negative repercussions on its services to its present and potential customers, in either quantitative or qualitative terms.

3. **Mr. IACCARINO** (United Nations Educational, Scientific and Cultural Organization) explained that, as Assistant Director-General for Natural Sciences, he had been designated to act as the focal point in UNESCO for ICS matters. The general mandate of ICS was to focus on environmentally compatible development, based on sound science and high technologies. The activities of ICS had therefore been developed in the following areas: pure and applied chemistry; earth, environmental and marine sciences and technologies; high technology and new materials. The Directors-General of UNIDO and of UNESCO had been informed in February and March 1997 of the Italian Government's wish to change the status of ICS and to place it under the aegis of UNESCO. The purpose of so doing was to create a unified hub of scientific activity, encompassing the International Centre for Theoretical Physics and the Third World Academy of Science based in Trieste, as well as the UNESCO office in Venice, which consisted of the Regional Office for Science and Technology for Europe and the Liaison Bureau for the Safeguarding of Venice, all of which already worked under the auspices of UNESCO. In the view of the Italian Government, bringing all those institutions under the umbrella of UNESCO would facilitate the integration of their scientific training and research activities in the interest of developing countries. The Executive Board of UNESCO had been informed of the development at its 152nd session. At its 154th session, the Board had been informed of the decisions of the Board and of UNIDO's General Conference in that respect. The Executive Board had the invited UNESCO's Director-General to continue negotiations with the Government of Italy and with UNIDO, and to report to it at its 155th session in October 1998.

4. At the tripartite meeting held in 8 May 1998 in Rome, the substantive and legal aspects of the transfer of ICS from UNIDO to UNESCO had been discussed. It had been decided that the Legal Office of the Italian Ministry of Foreign Affairs would shortly submit a draft trilateral agreement on the transfer to UNIDO and UNESCO. A second meeting on the subject would be convened in early June.

5. UNESCO was committed to the strengthening of cooperation among United Nations organizations, and especially between itself and UNIDO in relation to ICS. The enhanced future cooperation would be in line with the existing agreements between UNESCO and UNIDO.

ANNUAL REPORT OF THE DIRECTOR-GENERAL ON THE ACTIVITIES OF THE ORGANIZATION IN 1997 *(continued)* (IDB.19/10 and Add.1 and 2; IDB.19/CRP.7)

FIELD REPRESENTATION *(continued)* (IDB.19/11; IDB.19/CRP.8)

PERSONNEL MATTERS, INCLUDING COMPOSITION OF THE SECRETARIAT *(continued)* (IDB.19/9; IDB.19/CRP.1)

6. **The PRESIDENT** said that, under item 13 ("Personnel matters, including composition of the Secretariat"), he would invite the President of the Staff Council to make a statement.

7. **Mr. SPINA** (President of the UNIDO Staff Council) said that the new Director-General had managed to downsize the Secretariat by one third with no forced terminations. The Director-General deserved a vote of thanks for his success in implementing the wishes of

Member States in a way that caused the least harm to staff and the Organization. The Staff Council had already urged that a covenant should be signed between the staff, the administration and Member States. In the case of staff, such an agreement would call for the highest standards of efficiency, competence and integrity. The Organization, in turn, would undertake to provide the services prescribed in the Business Plan, at the highest standards, and would ensure equal treatment for everyone and equal conditions of employment for all. The role of Member States was to make decisions and give guidance as well as to provide the financial means to carry out the decisions and agree to allow the Organization to fulfil its mandate with minimal, ideally no, political interference. Member States had provided the Organization with a business plan which, as the Director-General had indicated, had been almost fully implemented. By delivering the services listed in the Plan, especially in the African region, Member States had made a contribution to sustainable industrial development. However, the aim of Member States should be to alleviate the plight of countries in need, not to obtain political favours from the present administration. That would only increase expenditures and undermine the ability of the Organization to meet its obligations. The programmatic review was not due to end until December 1998, and, as stated by the Managing Director, Field Operations and Administration Division, all new recruitment would be frozen until then. Yet according to the Director-General's bulletin UNIDO/DGB(O).83 there had recently been a number of "special" appointments. The Director-General had referred to some in his statement to the staff in December 1997. However, the "few" had grown to many. What was needed from Member States was guidance, not impositions.

8. If the Organization was to be revitalized, the expectations placed on it must be clearly spelt out. It was not enough to finalize terms of reference for organizational units; job descriptions must be prepared so that staff understood what was expected of them. The Staff Council had been advocating a "skills requirements inventory" for well over a year. At the same time, an inventory should be made of existing staff skills, in order to match them to requirements. Since there would probably be further staff separations, the Organization had a moral obligation to inform staff members in a timely manner of their shortcomings, together with the options open to them to redress the situation. The Staff Council hoped that avoidance of non-voluntary separations would continue, in an atmosphere of transparency and fair play.

9. The staff endorsed the emphasis in the Business Plan on strengthening UNIDO's field representation. Staff members selected to fill field posts should be of the highest moral standards and possess first-hand experience. That was an obligation on the Organization's part towards countries which had agreed to host either a subregional or a country office. As for the staff members who were still classified as unassigned, according to bulletin UNIDO/DGB(O).83, the Director-General was urged to resolve the situation with the utmost urgency, as the staff members concerned were being subjected to intolerable stress.

10. Far too many UNIDO staff members were on fixed-term or short-term, rather than permanent, contracts. Contracts were presently being extended only to the end of 1998, except where two-year extensions had been granted because the services of the staff members concerned were not subject to programmatic review, or they had been newly appointed. However, the applications of some staff members for voluntary separation had been rejected on the ground that their services might still be required in the transformed UNIDO, and yet they were only being given extensions until the end of 1998. Staff morale was now at an all-time low, due to the prevailing sense of insecurity. Staff members with children in school were in a dilemma. The validity of laissez-passers was very short, resulting in difficulties for staff members who had to obtain visas in order to travel. It must be agreed between the Organization and its staff that all would be treated equally.

11. Recognizing that staff must be motivated in order to meet the requirements of the Business Plan, the Director-General had informed them that he would be undertaking a promotion review at both the Professional and General Service levels. Not everybody could be promoted; the Staff Council therefore supported the administration's view that a proper reclassification process should be undertaken, posts advertised and staff enabled to apply. Good performance could also be recognized through continued step increases despite the limitations of the salary scales imposed by the United Nations common system. Because of the major reform in the United Nations system, it might now be timely to review such common system issues.

12. In the view of the Staff Council, the proper forum for addressing staff/management issues was the Joint Advisory Committee, established under Staff Regulation 5.3. However, the Committee had not met since early January 1998.

13. The staff were paid to provide the services dictated in the Business Plan and accepted that that had to be done at the highest standards of efficiency, competence and integrity. However, the Staff Council insisted that staff be properly informed and expectations be clearly understood. Adequate training should be given where needed. There must also be a proper evaluation mechanism so that rules and regulations were adhered to.

14. In summary: First, Member States not only decided and guided, but also provided the Organization and its staff with the means to execute. The Director-General needed a positive signal that he could revert to normal extensions of contract. Second, the Organization translated those decisions into plans of action and ensured that available human resources were given every opportunity to be able to meet expectations. Equal treatment for all could only contribute to enhancing staff morale and help implement the Business Plan. Third, staff must take up the challenge and accept that some of their skills needed sharpening. Staff was paid to do a job. Speaking on behalf of UNIDO staff, the Staff Council assured Member States and the Administration that they took up their challenge. The Staff Council believed that that constituted a tripartite agreement which all could sign on a dotted line.

15. **The PRESIDENT** invited the Managing Director of the Field Operations and Administration Division to introduce item 8 ("Field representation").

16. **Mr. MOHANTY** (Managing Director, Field Operations and Administration Division) said that the two reports before the Board (IDB.19/11 and IDB.19/CRP.8) gave information on the implementation of the field representation programme in line with General Conference resolution GC.7/Res.11. The progress report by the Director-General (IDB.19/11) outlined developments in the first quarter of 1998, while document IDB.19/CRP.8 brought the situation up to date by describing specific action taken by the Director-General to implement the Business Plan and the programme and budgets for 1998-1999. Policy guidelines for restructuring field representation were provided in the Business Plan and in the report of the ad hoc open-ended working group. In the programme and budgets for 1998-1999, $28.5 million had been allocated to field representation, including $2.9 million from extrabudgetary resources. Seventy per cent of the total was earmarked for the field, and 30 per cent for Headquarters. The programme and budgets also dealt with the distribution of the 30 field offices to be set up. The question of the location of field offices, and the delegation of authority to the field, had been discussed in various forums, including the Board and other policy-making organs, over the past three to four years. After taking office, the Director-General had acted swiftly to implement the mandate given by Member States for decentralization and delegation of authority to the field. Those issues had been discussed at a global meeting of UNIDO Country Directors in January 1998, also attended by representatives of other agencies. In February 1998, the Director-General had issued a bulletin defining the responsibilities of UNIDO field representatives in the light of the new organizational structure of UNIDO. The Secretariat's proposals for UNIDO field representation had been formulated in April and circulated to all the permanent missions to UNIDO located in Vienna, Geneva and Bonn. The Director-General was required by resolution GC.7/11 to develop and implement a final proposal for the location of field offices according to objective criteria. Those criteria were defined in the Secretariat report in both quantitative and qualitative terms. The quantitative criteria related to low per capita income; population; the level of industrialization; technical cooperation delivery. The qualitative criteria, applied in a regional context, related to: existing field office locations; the regional and subregional balance of offices; logistical factors, including the availability of infrastructures; the requirements of LDCs; budgetary allocations; host country's contributions and cost-sharing. The proposal to set up 30 country offices had been developed according to those criteria, and in consultation with Member States and regional groups, which had voiced general support for the proposal. Some Member States had asked for additional country offices, but none had objected to the suggested locations; indeed, 24 of the 30 were for existing locations. The final locations of the field offices were set out in the Director-General's administrative instruction issued on 14 May 1998. Five offices would be converted to regional offices in the next phase. A further series of administrative instructions had been issued on 14 May, defining the roles and responsibilities of the field officers and their delegated administrative and financial powers, some of which would be increased over time.

17. Owing to the severe financial and human resources constraints affecting UNIDO, the decentralization process would need additional funding from extrabudgetary resources, specifically host country contributions. Such contributions were also necessary to establish the value of the field services vis-à-vis the clients and make the staff accountable to the host countries. It was also desirable that more affluent developing countries should meet at least part of the costs of country offices so that resources could be allocated in support of other countries in greater need. Host country contributions had in the past taken various forms. A set of guidelines was needed, and it was proposed, in paragraph 12 of document IDB.19/CRP.8, that a formal agreement should be signed between UNIDO and the host country, providing for a contribution for a five-year period, although the actual payment would need to be made annually.

18. **Mrs. AGGREY-ORLEANS** (Ghana) endorsed the statement made on behalf of the African group on the question of field representation. She was gratified that the Director-General had been holding wide-ranging consultations with Member States and with other development partners on the draft proposal for country coverage and for the location of country and subregional field offices. She supported the proposal for field representation prepared by the Secretariat, which took due

account of the critical balance between the quantitative and qualitative criteria, and presented an equitable distribution of field and subregional offices among the various regions.

19. Bearing in mind that the main function of field offices was to promote and support technical cooperation in order to encourage national capacity-building for industrial development, it was important to pay due attention not only to the regions and countries in greater need, but also to the industrial potential of individual countries. Her delegation therefore welcomed the proposed increase in field offices in the African region from 10 to 12. In appointing field personnel, greater account should be taken of gender balance, in line with the trend throughout the United Nations system. To do so would mean recognizing the vital role of women in the informal and micro-sectors of most developing country economies.

20. Formal discussions should be undertaken with host countries on the question of their financial contribution to the local cost of field offices. However, Member States must demonstrate their commitment to UNIDO's decentralization efforts. The Government of Ghana remained committed to maintaining the UCD Office in Accra, to which it contributed $20,000 a year. Finally, in view of the importance of extrabudgetary financial resources at the field level, she suggested that UCD offices should be strengthened in order to mobilize such resources, and to coordinate aid programmes with host Governments and other multilateral institutions for the development of the industrial sector.

21. **Mr. BAN** (Republic of Korea) said that his delegation supported the Director-General's proposal for implementing resolution GC.7/Res.11, believing that the location of the 30 country offices had been determined on the basis of qualitative as well as quantitative criteria. It hoped that the role and functions of the subregional offices could be identified more clearly to enable them to play a central role in overall regional activities. The mechanism for cost-sharing between the host country and UNIDO should also be defined more precisely and, at the time when country offices were established, priority should be given to those countries prepared to bear more local costs. The subregional offices should have a more important part to play since 30 field offices would not be enough to cover all the developing countries or countries with economies in transition. The regional bureaux should be requested to fill in any gaps occurring in the implementation of field representation activities, to monitor closely activities in the field and, when necessary, take remedial action promptly. Even after the staff redeployment process and the delegation of authority to the field had been completed, a minimum number of staff must remain at Headquarters.

22. **Mr. HALPHEN-PEREZ** (Panama) said that UNIDO should strengthen its presence in the field through the appropriate delegation of authority and a clear formulation of the functions and responsibilities of field offices. It should seize every opportunity to show bold and transparent leadership so as to strengthen its credibility, especially in the field.

23. He wished to refer to possible mechanisms for promoting transparency in the field offices of UNIDO Country Directors (UCDs) and in Investment Promotion Service offices in the field. He expressed appreciation for document IDB.19/CRP.1, which contained a list of Investment Promotion Service offices with details concerning their staffing. The information on other field offices was also useful. To discourage suspicions regarding conflicts of interest, his delegation wished to recommend that UNIDO introduce mechanisms, as in the World Bank and the International Finance Corporation to ensure greater transparency. One such mechanism was "financial disclosure" by those who worked for the Organization. It was not a matter of limiting the assets of a staff member or making the content of bank accounts public; perhaps the relevant information should be revealed only to the internal auditors. Consultations might be held with the World Bank to see how such a mechanism worked. The staff members' accounts might be regularly checked, and such monitoring could be continued for five years after they left the Organization. Only if some increases in bank balances could not be satisfactorily accounted for would a problem arise. Such a system should be applicable to all staff members of UNIDO with diplomatic privileges in Vienna, New York and Geneva. UNIDO should also require every staff member to list all family links with staff in the field where he or she was representing UNIDO. Such statements should indicate whether such relatives held official posts in the national Government and what such posts were, and they should be updated when necessary. All UCDs should be required to make such statements. He noted in that connection that UNIDO, like UNDP, did not usually allow a national to represent the Organization in his own country. Some United Nations organizations had successfully improved their credibility by creating an image of transparency. UNIDO must project such an image. The circumstances were favourable for this to be done and the opportunity should not be allowed to pass.

24. Universities in the field could have an important impact on industrial development projects and on sustainable industrial development.

25. He also wished to express his support for the idea that representatives of the countries of the Group of 77 and China should meet to exchange views on subjects such as geographical distribution in field representation and in the Secretariat.

26. **Mr. ZAIDE** (Observer for the Philippines) supported the statement made on behalf of the Group of 77. He welcomed the useful documentation submitted to the Board and stressed that it was not the efforts put into the Organization but the results achieved that would be measured by both donors and beneficiaries of UNIDO. His country believed that UNIDO's proving ground was to be found in field representation, in its ability to network and in the promotion of investment and industrialization. The UCD in Manila had one of the highest-yield programmes. His country had raised its contribution to the Office from $25,000 to $45,000 during the current year. It believed that the users of services should pay. It welcomed the fact that the role of the Office had now been expanded to cover the South Pacific region.

27. An excellent example of triangular cooperation, including North-South and South-South cooperation, had been introduced into UNIDO in previous years in a joint Philippines-Japan-Kyrgyzstan programme which had been instrumental in introducing market economy practice into an economy in transition. It was a programme that might usefully be copied in other parts of the world. On a related subject, he said that a large mercury abatement project which would have an impact on both living conditions and the environment in the mining region had just been signed in Manila. His country had learned that an extensive mercury pollution programme had been undertaken much earlier in the fishing village of Minamata in Japan and hoped to be able to be guided by the experience of that programme.

28. **Mr. ISMAILOV** (Observer for Azerbaijan), speaking on item 8, expressed the view that UNIDO should focus on such activities as it had been successfully implementing for several years. For example, the regional development dimension could usefully contribute to speeding up reform in many countries with regional projects, providing potential investors with development concepts and business and investment opportunities in local industry. In that context, he welcomed the adoption of the Business Plan and expressed appreciation for the efforts made by the Director-General and the Secretariat to decentralize UNIDO's activities and restructure its field representation.

29. The authorities of his country were now considering the proposal for UNIDO field representation. It seemed necessary to identify the main criteria on which decisions concerning the location of field offices should be based. One of them should be their location in the areas of UNIDO's current field of activities and also of its potential activities. His country was ready to take part in further discussions on the preparation of such criteria, taking into account the prompt delivery of quality service and cost-effectiveness. Given that only three per cent of resources for the current biennium were being allocated to regional programme management in Europe and the newly independent States of the former Soviet Union (NIS), it might be useful to consider employing national focal points as one possible option for UNIDO field representation. The continuation of the dialogue on the effective decentralization of activities, the strengthening of field representation and the implementation of the related decisions would undoubtedly serve the Organization well in the years to come.

30. **Mr. OKON** (Nigeria) commended the Director-General on his achievements since taking office. Although great progress had been made, UNIDO's problems were not entirely solved especially since all the financial resources required for it to function correctly were not available. UNIDO still had financial problems and his delegation welcomed the efforts being made to identify ways of expediting the payment of arrears of assessed contributions by Member States.

31. While endorsing the Business Plan, Nigeria stressed that the development of industrial human resources was an essential factor in implementing UNIDO programmes in the developing countries, particularly in Africa. It recognized the role being played by UNIDO in implementing the Second Industrial Development Decade programme with the introduction of the Alliance for Africa's Industrialization in 1996.

32. The UNIDO field representation programme had assumed a central role in the pursuit of the objectives of the reformed Organization, which should be closer to the people and their industrial and environmental needs. There was a need for increased voluntary contributions to fund the programme and also for a clear definition of the roles of the field offices, Headquarters and the host countries in the programme.

33. Nigeria had laid a solid foundation for a private-sector-led industrialization process through its plan for the Strategic Management of Industrial Development. The first phase had been completed with UNIDO's assistance and the second was now under way. Nigeria considered the development of small and medium enterprises (SMEs) to be one of the best ways of accelerating the pace of industrial development and was now focusing on creating an enabling environment for such development. It had established an autonomous body known as the Small Industrial Development Agency entrusted with the task of coordinating and facilitating the development of the SME subsector at federal and state levels. A National Credit Guarantee Scheme had also been established to optimize access to loanable funds by SMEs.

34. Nigeria's industrial development programmes were human-centred and gender-conscious. One programme in place was the Family Economic Advancement

Programme, aimed at empowering global communities and the urban poor as well as promoting viable agro-allied and cottage industries.

35. In line with the concept "Vision 2010", the Government had established a committee to examine all aspects of the economy and society needing to be developed and strengthened in a coordinated form. A National Council had been set up to implement the recommendations of the committee and would monitor and coordinate intersectoral activities with the goal of achieving national self-reliance, economic growth, good governance and political stability. Nigeria would continue to support UNIDO and relied on its cooperation.

36. **Mr. CHEBELEU** (Romania), speaking on item 8, expressed the view that the change in the functional relationship between Headquarters and the field would enable UNIDO to respond more effectively to the requirements of developing countries and countries with economies in transition. Romania had carried out a successful programme of cooperation with UNIDO in the framework of a Joint UNIDO Committee but, following a recent decision of the Secretariat, joint programmes and committees were to be phased out. His Government had explored the possibility of making use of the existing accumulated experience and expertise of the Joint UNIDO-Romania Centre in Bucharest and had offered to host a UNIDO field office there for whose maintenance it would partially cover the costs. A joint funding mechanism might be identified to meet staff costs related to the operation of such an office and his delegation was ready to discuss details of that offer with the Secretariat. The office could also cover UNIDO activities in other Central and Eastern European countries in similar circumstances, thus lending a regional dimension to UNIDO activities in that part of Europe. His country trusted that its offer would be considered and supported by the Secretariat and Member States. It would do its best to provide appropriate support for the implementation of regional cooperation programmes and projects and to bring about an awareness of UNIDO's services at both national and regional levels.

37. **Mr. FIGUEROA** (Mexico) said that his delegation had studied the proposals concerning field representation with great interest. It endorsed the comments made by the representative of Chile on behalf of GRULAC, and especially the view that the Secretariat's proposal deserved further study. It would be useful to have details of the mandate, objectives and coverage of the field offices. Dialogue between the authorities of the host countries would also be useful.

38. **Mr. ZERELLI** (Tunisia) supported the statements made on behalf of the African Group and the Group of 77. In view of the vital role played by UNIDO in assisting the industrial development of developing countries, his delegation wished to encourage it to pursue the current process of reform so as to adapt its functions, its orientation and its priorities to the realities of a changing world economic environment.

39. On agenda item 4 ("Annual report of the Director-General on the activities of the Organization in 1997"), he said that his delegation welcomed the new style of presentation of the Annual Report. The Secretariat was clearly seeking to increase transparency. His delegation also thanked the Secretariat for the steps taken to organize an Investment Promotion Forum in Tunisia in November 1998.

40. Regarding field representation (agenda item 8), his delegation had studied the report contained in document IDB.19/11 and requested the Director-General to continue to develop, in consultation with Member States, a proposal for country coverage and location of field offices based on the agreed objective criteria in accordance with the Business Plan the and work of the ad hoc working group on issues related to field representation.

41. **Mr. MAGARIÑOS** (Director-General) said that field representation was a very delicate issue and he was aware, from comments made by representatives of all regional groups, that a number of expectations were not being met. While it was agreed that UNIDO's presence in the field should be strengthened, and ideally it would be desirable to have UNIDO offices in all countries, it was equally necessary to take a realistic and fresh look at the constraints and, most importantly, at the tangible results to be achieved. An additional consideration to be borne in mind was the requirement, under the approved programme, that appropriate use should be made of the existing United Nations field structure when considering the opening of a new UNIDO office. That was why, at the first global UNIDO Country Director meeting, the United Nations Secretariat and other agencies had been asked to provide an outline of their field structure. While the Secretariat would continue its consultations with all Member States with an open mind, in order to hear their views and preferences with the aim of building a strong consensus, it would clearly be impossible to secure full agreement from so many Member States, including 130 developing countries, on where and how to locate 30 field offices. The General Conference had given him a clear mandate, which he intended to fulfil, to develop and implement a final proposal for country coverage and location of field offices. All energies should be directed towards ascertaining how UNIDO's new packages of products could be used to solve specific problems in the field and how UNIDO could best fulfil its mandate in the developing countries. Whether UNIDO field activities were in the hands of a UNIDO, United Nations or bilateral aid office or whether one or more offices were needed was

a secondary consideration. He did not wish to reopen the debate on a process that was already well in hand, but would point out that the proposal was a preliminary one and that no hasty decisions would be taken without all the views and facts being available.

42. Turning to personnel questions, he said that he appreciated the frankness of the statement made by the President of the Staff Council and gave his assurance that staff representatives would always be free to air their views. Among the matters raised that called for some comment, there was the question of the appointment of special advisers. There was no secrecy about their appointment. There were only three such advisers, who worked with him and had his complete trust. They performed very useful tasks, dealing as they did with three matters he considered to be particularly important—finance, the image of the Organization and relations with the United Nations system. They were all employed under fixed-term contracts specifying that there would be no further financial implications for the Organization once their contracts were terminated. On the subject of low staff morale, he had found it at a much lower ebb when taking office, when the very existence of UNIDO had been in the balance. He trusted that the substantive work being done to strengthen the Organization and improve its prospects would restore the staff's faith in UNIDO. Finally, he gave his assurance that there was no financial reason for limiting the extension of contracts to the end of 1998; the only reason was that contained in Administrative Instruction No. 8, namely his intention, as of 1 January 1999, to negotiate with the staff on the introduction of the new staff career development system.

MATTERS RELATED TO INTERGOVERNMENTAL, NON-GOVERNMENTAL, GOVERNMENTAL AND OTHER ORGANIZATIONS (IDB.19.4 and Add.1; IDB.19/CRP.1)

43. **Mr. MARUNO** (Managing Director, Investment Promotion and Institutional Capacity-Building Division), speaking on behalf of the Secretariats of UNCTAD and UNIDO, informed the Board of measures taken by the two secretariats to implement the memorandum of understanding signed on 26 March 1998. The memorandum was in accordance with both the relevant provisions in the Business Plan and the ongoing reform process in the United Nations. It constituted a milestone in cooperation arrangements between specialized agencies and United Nations bodies. Its main objective was to build synergies and complementarities so as to enhance the effectiveness of the joint efforts of the two organizations in promoting investment in the developing countries. It aimed at the full utilization of the comparative advantages and capacities of each organization so as to maximize the delivery of services and avoid duplication. With regard to "upstream" and "downstream" activities, every effort would be made to optimize the complementarities of both organizations. The memorandum also aimed at the optimum utilization of the organizations' available financial, staff and other resources, at the development of new cooperative arrangements with the private sector and at ensuring the positive impact of their involvement in other activities at the national, subregional, regional and global levels.

44. The following steps had been taken by the two organizations towards putting the memorandum into operation: consultations between the focal points of the two organizations in providing policy guidance; identification of concrete projects in the area of investment and technology promotion at the national level and areas of cooperation in their implementation; and preparation of frameworks of cooperation in the areas of enterprise development, quality, standardization and quality control.

45. Communications and consultations among the staff of both organizations had been characterized by a willingness to share information and to cooperate in providing services and carrying out joint activities in the developing countries. A progress report on the implementation of the memorandum of understanding was available. The memorandum between UNIDO and UNCTAD constituted a concrete example of a "win-win" situation for recipient and donor countries alike as it paved the way for more effective delivery of services by both organizations.

46. **Mr. ZULU** (International Monetary Fund (IMF)), referring to the experience of IMF in South-East Asia, said that, to the question whether there had been any early warning of the crisis in South-East Asia, the answer was both yes and no. There had been unequivocal macroeconomic danger signs, and there had also been warnings about weak financial systems. That being said, IMF had been taken by surprise, for various reasons. Economic and financial integration and globalization did not respect Governments, multilateral institutions or indeed parliaments, and it took time for the centres of traditional power to detect growing erosion of that power. Moreover, the intensity of a globalization or integration of financial markets had been stronger than perceived. The role of private market players, banks and investors had been underestimated both by Governments and by multilateral institutions. The private sector players had been mostly unaware of the weaknesses in governance in the countries to which they had been investing. Creditor countries had been unaware how exposed their banks, financial institutions or investors were in South-East Asia or indeed elsewhere, and creditor foreign banks had been unaware how many of them were involved in business in each country and what the extent of their financial exposure was.

47. The role of IMF in the framework of its mandate at the domestic level, but also as the centrepiece of international cooperation, involved risk, but risk was viewed as a short-term price to pay in order to speed up the restoration of normal relations between markets and sovereign economies, and between borrowers, lenders and investors. Such onerous responsibilities were unavoidable if IMF was to fulfil its mandate. There was a responsibility to restore market confidence, macroeconomic stability and the health and buoyancy of the functioning of the international monetary financial system, and to minimize economic and social disruption. Prompt action was necessary. Letting the market take its course was not viewed as a credible alternative. Market exuberance was often part of the problem and markets should not be expected to resolve the crisis alone. Governments had directed banks to borrow from overseas and to lend to designated enterprises or economic sectors. Foreign investors had incurred huge losses as a result of the fall in the value of equity shares of corporate businesses in distress and in turn foreign and domestic banks had incurred losses when the corporate domestic borrowers had failed to repay their loans. IMF had played a historic role by persuading many foreign banks to agree to reschedule short-term debts, and in doing so had locked in important creditors who would have otherwise been ready to flee. Given that analysis, it was a moot point whether the fears of moral hazard could stand up to real scrutiny and analysis, making the meltdown theory a rather blunt economic instrument to apply in a complex socio-economic crisis such as that in South-East Asia. Further points now to be considered were the structure of adjustment programmes in South-East Asia and the challenges of managing and minimizing the market crisis.

TIMELY PAYMENT OF ASSESSED CONTRIBUTIONS (IDB.19/12 and Corr.1, IDB.19/13, IDB.19/14; IDB.19/CRP.3)

48. **Mr. BENMOUSSA** (Morocco), speaking as chairman of the open-ended discussion group on timely payment of assessed contributions, introduced the report of the group (IDB.19/12 and Corr.1). The group had held seven meetings altogether, with valuable assistance from the Director-General and the Secretariat. By way of preliminary comment, he said that, despite encouraging progress made in the payment of assessed contributions in recent months, which meant that the threat of insolvency had receded, an amount of some $122 million was still outstanding, of which about half was due by the United States. Non-payment meant that 72 Member States out of 168, or about one half of the membership, had lost their right to vote—a very worrying situation which called for urgent action. Against that background, the role of the Permanent Missions in Vienna and of the regional groups in urging Member States to pay their contributions and arrears was very important. Another useful step would be to publish the recommendations contained in the group's report and send them both to Member States represented in the Board and to Permanent Missions in capitals other than Vienna. The group also recommended discussions with UNDP to determine its readiness to cooperate regularly with UNIDO on the matter of payment by LDCs in local currency to local UNDP offices, which could then transfer those payments to UNIDO in United States dollars, and regarding the establishment of payment plans for arrears, with a similar mechanism.

49. Various outstanding points could not be settled by the group and warranted discussion by the Board. One was the communication strategy to be implemented by the Director-General to make non-governmental organizations and industrial groups in the United States aware of UNIDO reforms and new trends that would mark the Organization's policy towards developing countries and countries in transition. Another concerned the establishment of a contact group with the United States authorities. It was well known that the executive of the United States was willing to pay the arrears due, subject to a decision by the United States Congress. A contact group, working permanently with the United States Mission in Vienna, would be an important means of securing payment of the arrears.

50. Future evaluation would be needed to ascertain whether the recommendations had the effect of encouraging Member States to pay their contributions and arrears and maintain their voting rights. Timely payment of assessed contributions and the restoration of voting rights were critical for the preservation of legality within the Organization and its universality and efficiency.

51. **Mr. BAN** (Republic of Korea) expressed support for the idea that LDCs should be able to pay their arrears in local currency under a payment plan. Regarding the establishment of an effective mechanism to encourage timely payment of assessed contributions, his delegation was in favour of a balanced approach and thought that more time would be needed to reach a consensus on measures that were of a relatively sensitive nature. Some measures that had already been adopted in other organizations could be considered, and some of the suggested measures might be approved at the current Board session. A gradual approach was recommended, taking account of the fact that many organizations in the United Nations system were experiencing similar problems. His Government had paid almost the entire amount of its assessed contribution for 1998 at the beginning of May, with the remainder to be paid as soon as possible.

52. **Mr. BRODSKY** (Ukraine) expressed support in principle for the proposed means of solving the problem of the arrears of developing countries and countries in

transition through payment plans, as set out in the report. It was a flexible mechanism which took account of the financial rules of the Organization and of each State's capacity to pay. The rescheduling of Ukraine's arrears over a period of five years, with the possibility of restoring its right to vote once payments had commenced under the plan, would be a way out of the current deadlock. The non-payment by Ukraine of its assessed contributions and consequent loss of voting rights had arisen not out of Ukraine's unwillingness to meet its financial obligations, but as a result of earlier unjust decisions by the United Nations concerning its assessed rate of contribution, which had been unjustifiably high and had exceeded its capacity to pay. Furthermore, the difficult economic situation in Ukraine had made it impossible to transfer funds from the budget to absorb existing arrears. Ukraine's accumulated arrears and loss of the right to vote and to appoint representatives to the policy-making organs, and even its loss of representation in the Secretariat, had thus been due to circumstances beyond its control. Ukraine viewed the group's recommendations in a spirit of cooperation and willingness to talk openly about its financial difficulties and hoped that the proposals for a solution to the problem would not only be useful to Ukraine but would improve the financial situation of the Organization as a whole.

53. **Mr. FIGUEROA** (Mexico) said that the group's discussions, in which the representatives of GRULAC had actively participated, had been very useful in identifying alternatives for solving the payment problem so as to ensure that the Organization could continue to fulfil its mandate in providing support for the least developed countries. He reiterated his endorsement of the incentive schemes and of continuing dialogue between the Director-General and countries in arrears. Mexico intended to meet all its financial obligations on the basis of a payment schedule involving monthly payments between May and October 1998.

54. **Ms. OK** (Turkey) said that the problem tackled by the discussion group, which had entailed the loss of voting rights by one half of UNIDO's Member States, was a very serious one. She hoped that the measures proposed by the group would be adopted by consensus.

The meeting rose at 12.40 p.m.

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United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Nineteenth session

SUMMARY RECORD OF THE 4th MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 19 May 1998, at 4 p.m.

President: Mr. PITTALUGA FONSECA (Uruguay)

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The meeting was called to order at 4.30 p.m.

INTRODUCTION OF DRAFT DECISIONS (IDB.19/L.2-L.8)

1. **The PRESIDENT** said that agenda items 4-13 remained open for the adoption of decisions. A number of draft decisions, most of which had been discussed in informal consultations, were before the Board (IDB.19/L.2-L.8). Mr. Nizam Al-Din (Syrian Arab Republic) had originally been entrusted with chairing the consultations, but upon his departure from Vienna the Bureau had asked Mr. Nur (Sudan) to chair them instead.

2. **Mr. NUR** (Sudan), speaking as chairman of the informal consultations, said that the work of delegations participating in the consultations had been instrumental in enabling the Board to complete its session in two days. The draft decisions before the Board on items 4, 6, 8, 11 and 14 were the work of only two meetings, both of which had been characterized by flexibility and a spirit of compromise.

3. **The PRESIDENT** said that he was submitting the draft decisions approved in the informal consultations to the Board as his drafts.

UNIDO TECHNICAL COOPERATION ACTIVITIES IN 1997, INCLUDING OPERATIONAL ACTIVITIES FOR DEVELOPMENT *(continued)* (IDB.19/3)

INDUSTRIALIZATION OF THE LEAST DEVELOPED COUNTRIES *(continued)* (IDB.19/8)

INTERNATIONAL CENTRE FOR SCIENCE AND HIGH TECHNOLOGY *(continued)* (IDB.19/7)

PERFORMANCE INDICATORS *(continued)* (IDB.19/6; IDB.19/CRP.2)

4. **The PRESIDENT** said that, as no draft decisions had been submitted under those four items, he proposed that the Board should take note of the documentation provided by the Secretariat.

5. *It was so decided.*

ANNUAL REPORT OF THE DIRECTOR-GENERAL ON THE ACTIVITIES OF THE ORGANIZATION IN 1997 *(continued)* (IDB.19/10 and Add.1 and 2; IDB.19/L.7)

6. **The PRESIDENT** drew attention to draft decision IDB.19/L.7 on "Implementation of the Business Plan".

7. **Mr. FREEMAN** (United Kingdom), speaking on behalf of the European Union, said that it had been agreed in the informal consultations that paragraph (h) was to remain in square brackets pending discussion in the Board. He understood the underlying purpose of the original proposal on which the paragraph in question had been based. However, the European Union was very concerned not to engage in exercises of a micro-management character in respect of the organization of the work of UNIDO. With a view to reaching a consensus, he proposed that the paragraph should read:

> "(h) Requests the Director-General to continue to facilitate dialogue between the Member States and the Secretariat on programmatic issues, including evaluation."

8. **Mr. IKEDA** (Japan) said that the purpose of the draft resolution was to ensure that the new UNIDO had a good programme in which substantive activities were not dictated by earmarked voluntary contributions as they had been in the past. Japan's interest was in fund policy and not in micro-management. Transparency in fund allocation in the new UNIDO would be important to Japan as it would be to all Member States. As it was impossible for the Board to discuss all projects, the creation of a forum for that purpose might be a useful mechanism.

9. The Japanese delegation had much appreciated the spirit of cooperation that had prevailed in the informal consultations and was willing to accept the European Union proposal if that was the wish of the Board. However, it would prefer the creation of a mechanism or forum rather than the mere continued facilitation of dialogue.

10. **Mr. BENMOUSSA** (Morocco) said that no delegation wished to engage in micro-management or examine all projects. It was a matter of policy, and of trying to ensure more equity in the geographical distribution of projects. He suggested, as a compromise, that paragraph (h) should read:

> "(h) Requests the Director-General to facilitate collective dialogue between Member States and the Secretariat on programmatic issues, including planning, implementation and evaluation of projects, to ensure their adherence to the Business Plan."

11. **Mr. IKEDA** (Japan) suggested that the word "facilitate" should be replaced by "initiate".

12. **Mr. FREEMAN** (United Kingdom) suggested that the meeting should be briefly suspended to enable the delegations concerned to work out an acceptable text on an informal basis.

13. *It was so decided.*

The meeting was suspended at 4.55 p.m. and resumed at 5 p.m.

14. **The PRESIDENT** said that, following informal consultations, it was proposed that paragraph (h) should read:

> "(h) Requests the Director-General to initiate collective dialogue between the Member States and the Secretariat on programmatic issues including their planning, implementation and evaluation to ensure their adherence to the Business Plan."

15. *It was so decided.*

16. *Draft decision IDB.19/L.7, as amended, was adopted.*

SECOND INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA *(continued)* (IDB.19/5; IDB.19/L.3)

17. **The PRESIDENT** drew attention to draft decision IDB.19/L.3.

18. *The draft decision was adopted.*

FIELD REPRESENTATION *(continued)* (IDB.19/11; IDB.19/L.8)

19. **The PRESIDENT** drew attention to the draft decision IDB.19/L.8.

20. **Mr. FREEMAN** (United Kingdom) said that it had been his understanding from the informal consultations that the last part of paragraph (i) would read: "... co-ordination of the United Nations system in the field".

21. *It was so decided.*

22. **Mr. BENMOUSSA** (Morocco) said that, while he would not oppose the adoption of that text by consensus, it raised questions. Coordination of the United Nations system in the field was not within the purview of UNIDO but was the responsibility of the resident representative of UNDP who was appointed jointly by the Administrator of UNDP and the United Nations Secretariat. UNIDO might perhaps contribute to that task, but frequently it had no field presence, compared with UNDP's representation in 135 places throughout the world.

23. *Draft decision IDB.19/L.8, as amended, was adopted.*

TIMELY PAYMENT OF ASSESSED CONTRIBUTIONS *(continued)* (IDB.19/12 and Corr.1, IDB.19/13; IDB.19/14; IDB.19/L.5)

24. **The PRESIDENT** drew attention to draft decision IDB.19/L.5.

25. **Mr. CHUNG** (Republic of Korea) proposed that the last phrase of paragraph (i) should read: "... to pay their assessed contributions on time and in full" in line with the language usually used in UNIDO documents.

26. *It was so decided.*

27. **Mr. SALAZAR** (Observer for Venezuela) suggested that, in paragraph (f) of the Spanish version, the word "*Aprueba*" should be replaced by "*Adopta*".

28. *It was so decided.*

29. *Draft decision IDB.19/L.5, as amended, was adopted.*

MATTERS RELATED TO INTER-GOVERNMENTAL, NON-GOVERNMENTAL, GOVERNMENTAL AND OTHER ORGANIZATIONS *(continued)* (IDB.19/4 and Add.1; IDB.19/L.2)

PERSONNEL MATTERS, INCLUDING COMPOSITION OF THE SECRETARIAT *(continued)* (IDB.19/9; IDB.19/L.4)

30. **The PRESIDENT** drew attention to two draft decisions that had been subject to review by the Bureau, namely, IDB.19/L.2 on applications from non-governmental organizations for consultative status with UNIDO and draft decision IDB.19/L.4 on personnel matters.

31. *Draft decisions IDB.19/L.2 and IDB.19/L.4 were adopted.*

PROVISIONAL AGENDA AND DATE OF THE TWENTIETH SESSION (IDB.19/CRP.5; IDB.19/L.6)

32. **The PRESIDENT** drew attention to draft decision IDB.19/L.6.

33. **Mr. BENMOUSSA** (Morocco) said that paragraph (k) of the decision just adopted on timely payment of assessed contributions (IDB.19/L.5) invited the Director-General to report to the twentieth session of the Board on the progress achieved in the settlement of arrears and payment of assessed contributions. As the provisional agenda stood, there was no specific item which would enable the Director-General so to do. Perhaps it could be covered in one of the sub-items under item 3.

34. **The PRESIDENT** said that the Secretariat would note that point.

35. *Draft decision IDB.19/L.6 was adopted*

ADOPTION OF THE REPORT (IDB.19/L.1)

36. **Mr. KOTOV** (Bulgaria), Rapporteur, introducing the draft report of the Board on its nineteenth session (IDB.19/L.1), said that the final report would duly reflect the decisions just adopted. Owing to the short duration of the session, there had been no meeting of the Friends of the Rapporteur. The report would be completed without delay and circulated to the Friends with a view to a subsequent meeting.

37. **The PRESIDENT** said that, if he heard no objections, he would take it that the Board wished to adopt the draft report as a whole on the understanding that the Rapporteur would finalize it in consultation with the Friends of the Rapporteur as soon as possible after the closure of the session.

38. **Mr. NUR** (Sudan) said that the question of the integrated packages of services had been discussed for the first time during the session although it had not appeared on the agenda. It should nevertheless be mentioned in the report.

39. *The report contained in document IDB.19/L.1 was adopted on that understanding.*

CLOSURE OF THE SESSION

40. **Mr. MANNO** (Italy) said that he wished to associate himself with the appreciation expressed during the past two days by a large number of delegations for the work and done by the Director-General in his five months' leadership of the Organization in very difficult circumstances.

41. The Director-General's recent visit to Italy had been extremely successful and the promising contacts he had made at the governmental level as well as with the private sector and economic and financial institutions would provide a solid basis for important collaboration in the future in areas of mutual interest.

42. The Italian Government welcomed the Director-General's initiatives in such important areas as the restructuring of the Organization, personnel management, administrative reform and the concrete formulation of integrated packages of services. The memorandum of understanding with UNCTAD and the efforts being made to improve and enhance UNIDO's relations with other organizations were welcome.

43. The recent Forum on Industrial Development had also been a successful initiative which had permitted fruitful direct contacts between Governments of developing countries, permanent representatives of donor countries and some of the most important international business representatives. The fact that the work of the Board, for the first time in its history, had been completed in two days was further testimony to the professional and organizational capacities and efficiency of the new management, and of the general support of Member States for the Director-General and the Secretariat.

44. The direction which had been chosen to lift UNIDO out of the deep crisis of the past had been the right one. Italy would continue to support the work of the Director-General in his difficult task.

45. **Mr. MAGARIÑOS** (Director-General) said that his first Board session had been a gratifying and enjoyable experience and thanked delegations for their active participation. The many supportive statements and the decisions adopted by the Board indicated that UNIDO was moving in the right direction and regaining the full confidence of its Member States.

46. A significant part of the nineteenth session had been devoted to reviewing administrative and organizational reform issues. It had also marked the transition into a substantive and programmatic dialogue. He hoped that Member States would participate actively in the further development and full elaboration of the proposed new integrated products. The momentum created by the Board must not be lost. He wanted to move on, finalize the programmatic transformation of UNIDO and apply the results as soon as possible at the country level.

47. Efforts would be centred around the special and pressing needs of the least developed and African countries, although the support requirements of other developing regions would not be disregarded. Several speakers had rightly reminded the Board of the universal character of UNIDO. Customized services would be developed responding to the distinct needs of each region, including the countries with economies in transition in their dual role of recipients and of providers of technological and scientific expertise for the benefit of developing countries.

48. The debate had highlighted the dynamic role that the Organization would be playing in strengthening the coherence and integration of the United Nations system. The field offices would be the prime movers in that regard. UNIDO would be an active partner in the new United Nations Development Assistance Frameworks at the country level and would ensure the integration of its offices into "UN Houses" wherever feasible; and it would complement the UNIDO-UNCTAD agreement with similar agreements with other Organizations.

49. It would also be at the forefront in developing valid and transparent performance indicators to facilitate the

monitoring of the impact of the Organization's activities. Following the encouraging response from Member States, he would ensure an early implementation of the proposed performance indicators on a trial basis.

50. The new field representation system would be put into effect swiftly. While it might not fully satisfy all countries, it was the maximum that could be accommodated within existing resources. As mandated by the Board and the General Conference, consultations would continue with Member States on ways of further strengthening the field office network.

51. The important administrative and programmatic reform of UNIDO would need to be complemented by reform of the policy-making organs. To that end, proposals would be put to the President of the Board, Member States and regional groups on further mechanisms for informal discussions on programmatic matters. Such mechanisms might be on the lines of the Forum on Industrial Development that had recently taken place.

52. The decisions just adopted would be extremely useful in implementation of the programmatic reform and the Business Plan.

53. Many people, especially top management, had worked during weekends to be able to present the integrated packages of services, and all of them were to be thanked for their efforts. The successes so far achieved were not due to the skills of any one individual or group of individuals but to the combined efforts of all the staff.

54. **The PRESIDENT** thanked the Secretariat for its support and assistance and commended the spirit of cooperation that had prevailed throughout the session.

55. The Board would undoubtedly welcome the news that an office had just been opened on the tenth floor of Building D for the Group of 77, providing three rooms in which the Group could meet and work.

56. He declared the nineteenth session of the Industrial Development Board closed.

The meeting rose at 5.40 p.m.